

**SWP 5/00 A MULTIPLE, EMBEDDED CASE STUDY OF
CONTEMPORARY PRACTICES OF RELATIONSHIP
MARKETING IN THE DANISH-BRITISH AND NEW
ZEALAND-BRITISH FOOD SUPPLY CHAINS:
RESEARCH ISSUES**

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**A Multiple, Embedded Case Study of
Contemporary Practices of Relationship Marketing in the
Danish-British and New Zealand-British Food Supply Chains:
Research Issues**

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Abstract

By reviewing the literature on relationship marketing, the present paper seeks to identify research issues that have not been fully answered in previous research studies. Doing this, the paper aims to build a theoretical foundation upon which a research project that investigates contemporary marketing and, in particular, relationship marketing is based.

Introduction to the Paper

By reviewing the literature on relationship marketing, the present paper aims to build a theoretical foundation upon which a research project that investigates contemporary marketing and, in particular, relationship marketing is based. The paper is divided into three main sections:

- The opening section that sets the scene for the research.
- The main section that first presents the body of knowledge that has been developed during previous research before discussing the research issues that are to be investigated in the present research.
- The closing section that briefly outlines the methodology and the anticipated contributions of the research.

In reviewing the literature of any field of study, it would seem politic to begin with a consideration of what the parameters of that field happen to be. Thus, the opening section commences with a discussion of the nature and scope of relationship marketing. Since it was introduced in 1983, relationship marketing has been positioned as a marketing approach opposite to transaction marketing. The paper, therefore, critically evaluates both approaches; in particular, the paper examines why most of the literature on relationship marketing has found it necessary for businesses to abandon transaction marketing and to embark on relationship marketing. As there is no single approach to relationship marketing, the paper then proceeds to consider in detail the dominant perspectives on relationship marketing in order to learn more about its nature and scope.

With regard to the identification of the overall problem area and the research issues that are of interest in the present paper, Figure 1 depicts the key elements that are considered in the main section. The section aims to build a theoretical foundation upon which the research can be based. It does this by reviewing the literature on relationship marketing. The section is thus not an end in itself but a means to the end and this is why the title of the paper is *Research Issues* rather than *Literature Review*. In particular, the paper seeks to develop a classification model of the parent disciplines that have contributed to the theory development in relationship marketing before it explores the immediate disciplines in relationship marketing using a simple analytical model. As we shall shortly see, a number of key constructs that originate from the parent disciplines have now been adopted in the immediate disciplines. Overall, the paper identifies the problem area and the research issues that are the focus of the research.

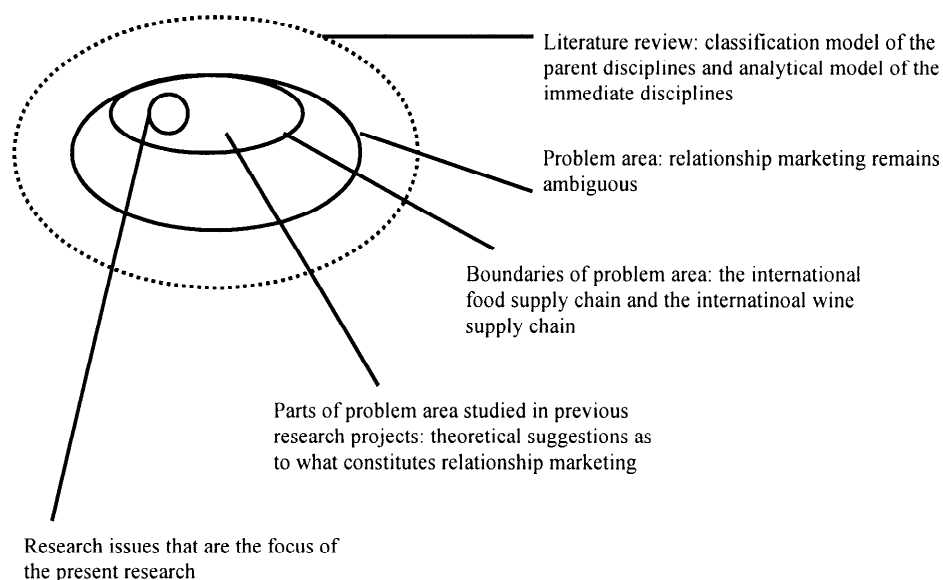


Figure 1. The key elements to be considered when identifying the overall problem area and the research issues in relationship marketing

In the closing section, the overall methodology is discussed but only briefly as it has already been described in Lindgreen and Crawford (1999a). In particular, the contextual setting for the research is presented before the steps in conducting the research are outlined.

Contemporary Marketing

Two of marketing's largest organisations, the *Chartered Institute of Marketing* and the *American Marketing Association*, have offered the following definitions of marketing:

“Marketing is the management process of identifying, anticipating and satisfying customer requirements profitably.” (*Chartered Institute of Marketing*, in Buttle 1996: 2)

“Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.” (*American Marketing Association*, in Brodie *et al.* 1997: 383)

Both definitions describe what marketing supposedly is about. That is, the conception, pricing, promotion and distribution of ideas, goods and services; these four elements of competition are also known as the 4Ps (that is, product, price, promotion and place) or the marketing mix. The definitions also imply a list of activities for the marketer to undertake in order to satisfy individual and organisational objectives. That is, the planning and executing of the four elements. Grönroos (1990a, 1994a) and Gummesson (1994a) noted that the 4Ps are a teacher-friendly marketing framework that can be operationalised. Two Americans have been particularly influential in the development of the 4Ps: Culliton (1948) who viewed the marketer as a ‘mixer of ingredients’ and Borden (1965) who conceptualised the term ‘marketing mix’.

Businesses can achieve market share and thus bigger profits by attracting new customers and/or retaining existing customers (e.g., Bolton and Drew 1991; Fornell 1992; Hillier 1999; Reichheld 1996; Rust *et al.* 1996; and Webster 1994). Advocates of relationship marketing have argued that the 4Ps proved very successful in the 1950s and 1960s. In the USA, it was the era of mass manufacturing and marketing of packaged consumer goods. Because the market was huge, marketing often focused on attracting new customers (e.g., Buttle 1996; Christopher *et al.* 1991; Jackson 1985; and Zeithaml and Bitner 1996). When the 4Ps framework is seen in terms of market share, customer attraction and short-time transactions, it is commonly referred to as transaction marketing (e.g., Christopher *et al.* 1991; and Peck 1995).

In the early 1980s and certainly in the 1990s, critics challenged the traditional task of marketers: to plan and execute the 4Ps as in transaction marketing (e.g., Gordon 1998; Gummesson 1987a; and Håkansson 1982). The overall argument was that transaction marketing, with its 4Ps, had become too limited a framework. Only a marketing approach that develops, maintains and enhances long-term relationships with customers and other important 'markets' (see later for an explanation on what constitutes important 'markets') would now provide for a unique and sustained competitive advantage (e.g., Berry 1983; Cram 1994; Jackson 1985; McKenna 1991; and Morgan and Hunt 1994). For example, in the 1990s, researchers belonging to the 'Industrial Marketing and Purchasing Group' or the 'Nordic School of Services' launched the debate whether transaction marketing was out of date, incomplete or limited. (Both groups originated from Europe. The 'Industrial Marketing and Purchasing Group' was thus formed in 1976 when researchers from five European countries initiated a large-scale comparative study of industrial marketing and purchasing across Europe. Among its members were, and still are, Håkan Håkansson, Ivan Snehota, Peter Turnbull and David Wilson (Ford 1998). Since then, the group has continued to study business relationships and the networks in which they operate. As Gummesson *et al.* (1997) has noted, the 'Nordic School of Services' was conceived in the early 1980s by researchers from Sweden and Finland. Among its members were, and still are, Christian Grönroos, Evert Gummesson, Jarmo Lehtinen and Uolevi Lehtinen.) The two groups both suggested that relationship marketing could indeed offer a better description of contemporary marketing.

It is beyond the scope of the paper to discuss at great length why the literature on relationship marketing has found it necessary for businesses to abandon transaction marketing. Only the three most commonly cited explanations are reported in the following: the importance of customer retention, the changes in the competitive environment and the limitations of the 4Ps. The point, which is being made at this stage, is that many people have come to regard relationship marketing as the appropriate marketing approach.

Importance of Customer Retention

The literature on relationship marketing has claimed that it is up to ten times more expensive to attract a new customer than to retain an existing customer. It has also

contended that the cost of bringing a new customer to the same level of profitability as the lost one is up to sixteen times more (e.g., Jørgensen and Elling 1999; Peppers and Rogers 1993; Peters 1988; Reichheld and Sasser 1990; Rosenberg and Czepiel 1984; and Sellers 1989). Although the evidence is only anecdotal in nature, the rationale behind retaining existing customers appears convincing. For example, in attracting new customers there are the costs of the successful conversion of prospects into customers and the costs of the unsuccessful prospecting (Buttle 1996). Another example is that it is often more expensive for a business to handle new customers than existing customers because new customers are unfamiliar with how the business operates. Yet a third example is the lifetime value of a customer: sales and profits have thus been said to rise the longer a relationship lasts (e.g., Heskett *et al.* 1994; and Reichheld and Sasser 1990).²

Changes in the Competitive Environment

The literature on relationship marketing has also argued that developments in technology have opened up the prospect of one-to-one, personalised marketing relationships (e.g., Bejou 1997; Gordon 1998; Grover 1995; McKenna 1991; Newell 1997; Palmer 1998; Stone and Woodcock 1995; Wehrli and Jüttner 1994; and Woodruff 1997). For example, powerful and user-friendly databases can hold information about the ordering pattern, the product preferences and the profitability of each business customer. Other information, which can be generated, is marketing communications and sales calls to each customer in addition to responses and actual transactions. This information is important when a business wants to understand its relationship with a particular customer (Copulsky and Wolf 1990; Palmer 1998; and Stone and Woodcock 1995). Through the creation of a home page with animation, sound and video, a company might attract new customers (Bejou 1997). Using direct mail, businesses can also personalise and target their messages precisely to the individual customer (Copulsky and Wolf 1990; and Palmer 1998).

Critics of transaction marketing have further suggested that it is no longer possible to differentiate on the basis of a product. Thus, most businesses must now offer superior

² Many other advantages of retaining existing customers have been described in the literature. For examples, refer to Baron and Harris (1995), Buchanan and Gillies (1990), Buttle (1996), Cram (1994), Grover (1995), Payne (1994), Reichheld (1993), Reichheld and Sasser (1990), Rust *et al.* (1996), Shani and Chalasani (1992), Webster (1994) and Zeithaml and Bitner (1996).

design features, such as styling, speed and reliability, and superior added-service facilities, such as warranties and finance. Technology can now often mass customise products at close to mass-marketing costs: developments in technology have resulted in increased production flexibility that makes possible the design of mass-customised but yet individualised products and services (Clark *et al.* 1995; Gordon 1998; Pine 1993; and Toffler 1980). This means, according to these critics of transaction marketing, that businesses can only differentiate themselves on the basis of a long-term, personalised relationship offering after-sales service to the customers (Levitt 1983; Palmer 1998; Rust *et al.* 1996; and Vavra 1992).

Limitations of the 4Ps

The literature on relationship marketing has also claimed that transaction marketing rests on three basic assumptions: there are a large number of potential customers; the needs of the customers are fairly homogeneous; and it is relatively easy to replace defected customers with new customers (e.g., Burca *et al.* 1995; Holmlund and Kock 1996; and Peck 1995). When moving from consumer markets to industrial markets and service markets, these assumptions might no longer be valid. For example, an industrial business often needs to buy highly specialised production equipment that has taken a long time for the supplier to manufacture; it then becomes difficult to change to another supplier who will need substantial time before being able to manufacture the same type of production equipment. An example in service markets is the hair stylist who takes all her customers with her when she leaves the saloon.

In summary, many people have come to regard relationship marketing as the appropriate marketing approach for today's businesses. Critics of transaction marketing have argued, and have supported their arguments with anecdotal evidence, why it is necessary for businesses to abandon transaction marketing and embark on relationship marketing.

Since a significant part of the marketing literature has been devoted to the theoretical discussion of relationship marketing, it seems of interest to learn more about the nature and scope of relationship marketing. Three perspectives on what constitutes relationship marketing have appeared in the literature: the marketing mix plus perspective, the paradigm

shift perspective and the categorisation perspective. In the following, each of the three perspectives is critically evaluated. Before that, however, the paper seeks to define both transaction marketing and relationship marketing in some more detail.

Transaction Marketing and Relationship Marketing

Reviews of the many definitions of relationship marketing have been published in the literature; among the reviews are Buttle (1996), Hunt and Morgan (1994), Palmer (1998) and Sheth and Parvatiyar (1994). Overall, because theoreticians have different vantage points and stress different applications of relationship marketing, alternative definitions of relationship marketing have appeared in the literature. As often noted, each definition has sought to capture the nature and scope of relationship marketing (Blois 1995; Brodie *et al.* 1997; Fisk *et al.* 1993; Fournier *et al.* 1998; Iacobucci 1994; Lehtinen 1996; Mattsson 1997; Peterson 1995; and Snehota and Söderlund 1998).

It is, therefore, important at this stage to understand that there is still a lot of debate about what is meant by relationship marketing (Palmer 1998). Thus, Gummesson (1994a) and Stone and Woodcock (1995) have noted that relationship marketing is positioned variously by different marketers:

“The perception of RM [relationship marketing], however, varies between authors.”
(Gummesson 1994a: 7)

“Relationship marketing is becoming one of those fashionable terms that every marketer uses but defines in a different way - or not at all.” (Stone and Woodcock 1995: 11)

As observed in the beginning of the paper, the literature on relationship marketing has claimed that businesses must shift from attracting new customers to retaining existing customers. As a result, most researchers have agreed that, overall, transaction marketing is about short-time relationships and that relationship marketing is about long-term relationships. The first researcher to officially coin the term ‘relationship marketing’ was Leonard Berry. In 1983, he emphasised the need to develop a long-term approach to services marketing:

“Relationship marketing is attracting, maintaining and - in multi-service organizations - enhancing customer relationships. Servicing and selling existing customers is viewed to be just as important to long-term marketing success as acquiring new customers.” (Berry 1983: 25)

Unofficially, however, Barbara Jackson had already used the same term in her research on industrial marketing from the late 1970s (see Gummesson *et al.* 1997). She had defined relationship marketing from an industrial marketing perspective:

“Relationship marketing concerns attracting, developing, and retaining customer relationships.” (Jackson 1985: 2)

The quotations teach us about the need to develop on-going relationships with customers. Thus, Berry has advocated enhancing customer relationships while Jackson has been anxious to develop and retain customer relationships. Throughout the 1980s and the 1990s, most researchers, such as Bell and Zemke (1992), Daniel (1992), Evans and Laskin (1994), Farber and Joyce (1992), McKenna (1991) and Sheth (1994), characterised relationship marketing in similar terms. For example, the definition offered by Evans and Laskin (1994) was one of many attempts to define relationship marketing as an on-going approach to marketing:

“[Relationship] marketing is a customer-centered approach whereby a firm seeks long-term business relations with prospective and existing customers.” (Evans and Laskin 1994: 440)

Often, relationship marketing was contrasted to transaction marketing. Thus, Dwyer *et al.* (1987) described relationship marketing as being longer in duration than transactional marketing, reflecting an on-going process. Buttle (1996) noted that the definitions of marketing’s leading international professional bodies (that is, the *Chartered Institute of Marketing* and the *American Marketing Association*) reflect a transaction-orientated view of marketing with no explicit recognition of the value of long-term relationships. Gummesson (1999) made a similar comparison between transaction marketing and relationship marketing when he wrote that transaction marketing has no ambition to change short-term relationships into long-term relationships:

“RM [relationship marketing] is often presented as the opposite to *transaction marketing*, the one-shot deal. Transaction marketing has no ambition to climb the loyalty ladder.” (Gummesson 1999: 11)

In summary, there is agreement in the literature that transaction marketing reflects short-term relationships whereas relationship marketing studies long-term relationships. Or to phrase it differently: transaction marketing is about discrete marketing exchanges (that is, one-shot deals) whereas relationship marketing is about continuous marketing exchanges (that is, repeated deals). Table 1 on page 11 summarises the main differences between transaction marketing and relationship marketing. At this time, the difference in time orientation has been fully explained; the differences in the other characteristics will become clearer at a later stage.

The Development of Relationships

There have been a number of attempts to analyse the development of relationships. Often, these attempts have used the principles of lifecycle theories. One case in point is Dwyer *et al.* (1987) who identified five stages in the development and dissolution of marketing relationships. Subsequent studies have provided empirical evidence for the model (see, for example, Palmer and Bejou 1994). Dwyer and his colleagues termed the five stages awareness, exploration, expansion, commitment and dissolution.

The Awareness Stage

In the awareness stage, party A has come to recognise that party B is a feasible exchange partner, but the interaction between the two parties has not yet transpired.

The Exploration Stage

In the exploration stage, party A attempts to attract the attention of party B. The exploration stage includes both parties' efforts at attracting the other party. Both parties also attempt to communicate and bargain with the other party as well as to develop and exercise power and to understand the expectation of the other party.

Table 1. Comparing transaction marketing and relationship marketing³

Characteristic	Transaction marketing	Relationship marketing
Focus	Single sales events and thus customer attraction; distinct beginning and end	On-going sales events and thus customer retention
Orientation	Product features	Product benefits
Customer service, communication, contact	Little emphasis to moderate	High emphasis
Commitment, promises	Limited	High
Quality	Quality is primarily a concern of the production department	Quality is the concern of all
Marketing	Marketing is primarily a concern of the marketing department; functionally-based marketing	Everyone is a part-time marketer; cross-functionally based marketing
Method	Competition; negotiation of deals	Collaboration, co-operation
Drivers	Attractive short-time transactions	Commitment, trust, promise, co-operation, adaptation
Style	Independence	Mutual dependence
Business plans	Seek advice and suggestions, which can be accepted or disregarded	Build networks and relationships
Chief advantage	Intimate knowledge of needs of markets, developed over time	Cash in hand
Chief disadvantage	If a competitor makes a better offer you are in a vulnerable situation	If one partner disappears you are in a vulnerable situation

³ The table has been compiled from Anderson *et al.* (1992), Baye (1995), Boone and Kurtz (1999), Christopher *et al.* (1991), Dwyer *et al.* (1987), Frazier *et al.* (1988), Grover (1995), Grönroos (1994b), Gummesson (1999), Gundlach *et al.* (1993), Jackson (1985), Morgan and Hunt (1994) and Webster (1994).

The Expansion Stage

In the expansion stage, the interdependence between the two parties increases; also the benefits that the parties obtain increase.

The Commitment Stage

In the commitment stage, the two parties pledge, implicitly or explicitly, a relational continuity. That is, there is a (high) degree of exclusivity between the two parties.

The Dissolution Stage

In the dissolution stage, the two parties have come to believe - for whatever reason - they are better able to achieve their objectives outside the relationship.

Combining what has until now been said about transaction marketing and relationship marketing and the development of relationships, the exploration stage is about transaction marketing whereas the expansion stage and certainly the commitment stage is about relationship marketing.

Three Perspectives on Relationship Marketing

In the following, three perspectives on relationship marketing dominating the current literature are presented: the marketing mix plus perspective, the paradigm shift perspective and the categorisation perspective.

successful in the USA, this has not been the case in overseas markets with another traditional, economic and legal setting (Gummesson 1996). Researchers who have found the 4Ps too limited have suggested other Ps in an attempt to overcome the apparent deficiencies. The extension of the original 4Ps is illustrated in Figure 2.



Figure 2. The original marketing mix – and extensions of the marketing mix

For example, Brookes (1988) added customer service, and Judd (1987) included people. Kotler (1986) put in public relations and politics while Booms and Bitner (1982) argued that three additional Ps should be included: people, physical evidence and processes.

Paradigm Shift Perspective

The paradigm shift perspective has argued that despite the efforts of expanding the 4Ps framework, the foundations for transaction marketing remain too weak. As a result, the 4Ps must give way to relationship marketing, which is the new paradigm in marketing (e.g., Gordon 1998; McKenna 1991; and Parvatiyar and Sheth 1994). Overall, the paradigm shift researchers have given up the simple 4Ps framework: product, price, promotion and place and instead embraced a more comprehensive framework of relationships, networks and interactions in addition to the 4Ps. That is, the 4Ps are still important but they have a more

supporting role instead of a leading role. The move toward relationship marketing is illustrated in Figure 3.

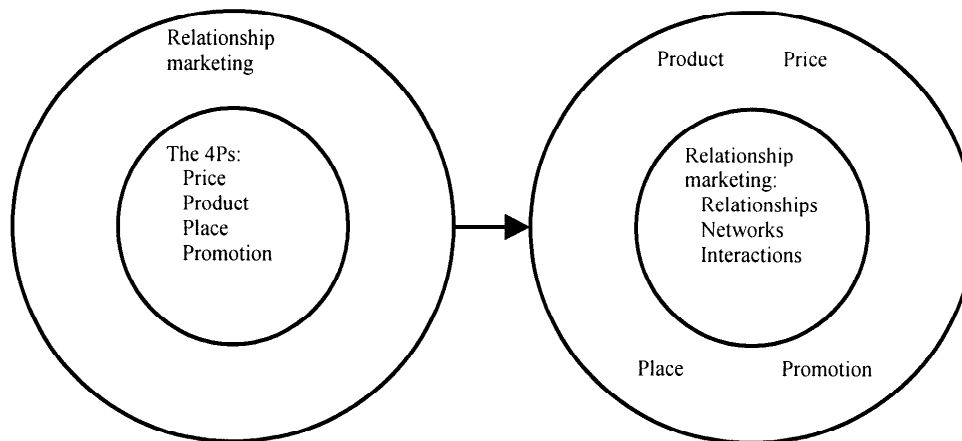


Figure 3. The shift from the 4Ps framework to the paradigm of relationship marketing

Source: GUMMESSON, E. (1999), Total Relationship Marketing: From the 4Ps – product, price, promotion, place – of traditional marketing management to the 30Rs – the thirty relationships – of the new marketing paradigm, Butterworth-Heinemann, Oxford, p. 256.

One case in point is Evert Gummesson who has been seen as one of the international pioneers of services marketing and relationship marketing. In his recent book on relationship marketing, he wrote:

“Some claim that RM [relationship marketing] is just a marginal variant of established marketing management with one or two add-ons. With such a view, RM is brutally forced into the old and will never be allowed to display its qualities. ... [Paradigm shifts] are based on different concepts and obey different laws. In the same spirit, I see RM as a paradigm shift in marketing.” (Gummesson 1999: 253)

Thus, in today’s marketing environment, businesses must embrace relational marketing activities in addition to transactional marketing activities.

Categorisation Perspective

The categorisation perspective has contended that transactional marketing exchanges and relational marketing exchanges are different marketing exchange paradigms: as a continuum, marketing exchanges range from transaction marketing to relationship

marketing (e.g., Barnes 1995a; Baye 1995; Dwyer *et al.* 1987; Grönroos 1991; Hinde 1979; Jackson 1985; Kotler 1992a; and Webster 1992). This is illustrated in Figure 4.

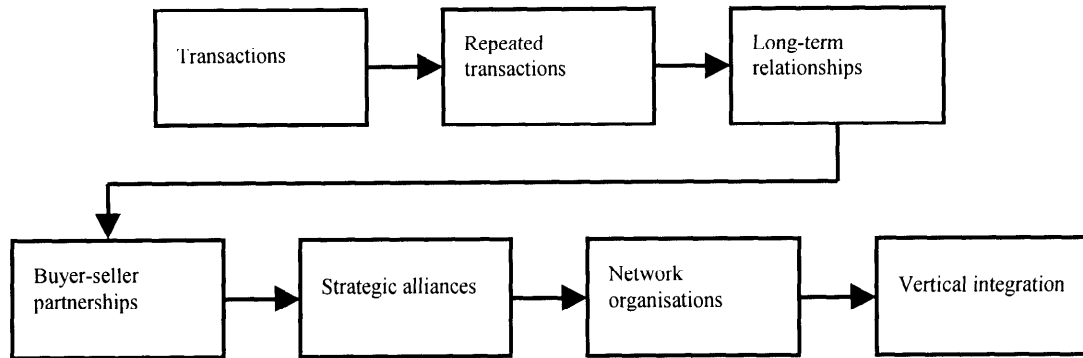


Figure 4. The continuum of marketing exchanges

Source: WEBSTER, F. E. JR. (1992), "The changing role of marketing in the corporation", *Journal of Marketing*, Vol. 56, No. 4, pp. 1-17, p. 5.

For a particular product category and buyer category, one type of marketing exchange is the more appropriate (Figure 5).

		Buyer category	
		Consumers	Businesses
Product category	Goods	The 4Ps or the marketing mix	Relationship marketing
	Services	Relationship marketing	Network approach

Figure 5. Marketing exchanges according to product category and buyer category

Typically, marketing exchanges are transactional in the consumer goods market whereas exchanges are relational when the product category changes to services. In business-to-business markets, marketing exchanges are often relational in the goods market because businesses are seeking to satisfy special needs and, therefore, must invest both time and resources in identifying a supplier who is willing to develop a unique offer proposition. The relational approach between the industrial buyer and the supplier might even extend to a network approach when the buyer seeks services (Pels *et al.* 1999). The implications of these observations are deep and are considered in the next section.

Buyer-Seller Exchange Situation Model

In the following section, the paper will argue that all of the three perspectives are too simplistic in order to understand contemporary marketing exchanges. Overall, the paper contends that transaction marketing is still relevant and that a business practises it concurrently with various types of relationship marketing. The structure of the argument is put forward as follows. The core differences between transactional marketing exchanges and relational marketing exchanges are discussed. Moving on, the need to undertake a dyadic approach (that is, a buyer-seller approach) to understand contemporary marketing exchanges is explained. The simplicity of each perspective is then considered, and a model that understands contemporary marketing exchanges from a dyadic point of view is presented.

Marketing Exchanges

It is possible to understand marketing exchanges in terms of the actors, the nature of the exchange, the interaction between the actors, the duration of the exchange, the structural attributes of the market place and the marketing approach (Table 2).

Table 2. Attributes of transactional and relational marketing exchanges

Attribute	Transactional marketing exchange	Relational marketing exchange
The actors	Buyer: generic need	Buyer: particular need
	Seller: generic offer	Seller: unique offer
The nature of the marketing exchange	Standardised product or service	Customised product or service
The interaction between the actors	Power, conflict and control	Trust, commitment, co-operation and adaptation
The duration of the marketing exchange	Independent and discrete	Episodic in a series of episodes
The structural attributes of the market place	Anonymous and efficient market	Numerous networks to a network approach
The marketing approach	4Ps or the marketing mix	Relationships

The following discussion is based upon the articles that have most often been cited in the literature on relationship marketing. That is, Dwyer *et al.* (1987), Ford (1998), Gummesson

(1999), Håkansson (1982), Morgan and Hunt (1994), Pels (2000), Pels and Lindgreen (2000) and Webster (1992).

The Actors

There are two actors: the buyer who seeks to satisfy a need and the seller who proposes an offer. In transaction marketing, buyers, belonging to the same segment, seek to satisfy a generic need and sellers propose a generic offer. The pro-active ones in this type of marketing exchange are the sellers. In relationship marketing, on the other hand, buyers want to satisfy a particular need and sellers develop a unique offer. Both the buyers and the sellers are pro-active actors.

The Nature of the Marketing Exchange

The nature of the marketing exchange is dependent upon whether the marketing situation is transactional or relational. In transaction marketing, the product or service is standardised within each segment, and the competitive advantage is gained through one or more tangible or intangible attributes of the product or service. In contrast, the product or service is no longer standardised in relationship marketing. Indeed, the product or service is customised to the individual buyer and sharing of information between the buyer and seller becomes important in the customisation. Thus, product features are important in transaction marketing whereas product benefits become key in relationship marketing (e.g., Buttle 1996; Christopher *et al.* 1991; and Toffler 1980).

The Interaction between the Actors

The transactional interaction between the actors are characterised in terms of power, conflict and control (e.g., O'Neal 1989; Rosenbloom 1991; and Stern and El-Ansary 1992). In contrast, the relational exchange is described in terms of trust, commitment, co-operation and adaptation (e.g., Anderson and Narus 1990; Anderson and Weitz 1992; and Morgan and Hunt 1994).

The Duration of the Marketing Exchange

The duration of the exchange has already been discussed in the paper. Thus, exchanges between the actors are independent and discrete in transaction marketing, but episodic in a series of episodes within a long-term buyer-seller relationship (e.g., Berry 1983; Evans and Laskin 1994; and Gummesson 1999). Short-time economical gains, therefore, are at the heart of transaction marketing whereas social bonding becomes increasingly important in relationship marketing (e.g., Baye 1995).

The Structural Attributes of the Market Place

The structural attributes of the market place change from anonymous and efficient market places to network markets. For example, Christopher *et al.* (1991) have argued that there are six important markets in relationship marketing; Morgan and Hunt (1994) have seen ten relationships as key in relationship marketing; and Gummesson (1999) has found that thirty relationships must be considered in relationship marketing. The 'Industrial and Marketing Purchasing Group' has understood marketing as a network approach (e.g., Ford 1998; and Håkansson 1982).

The Marketing Approach

The marketing approach, obviously, is based upon the 4Ps in transaction marketing and on relationships in relationship marketing. (The implications of relationships will be discussed in more detail later in the paper.)

It is now clear, from the discussion above, why it is often necessary to undertake a dyadic approach to understand marketing exchanges. Overall, when the marketing frames of the buyer and seller differ from each other, also the attributes that characterise each actor's marketing exchange are not the same. But Pels *et al.* (1999) have noted that until recently the marketing literature was, by and large, non-dyadic in its approach:

"Initially, the marketing literature was primarily context-focused and non-dyadic in its approach. ... The consequence was that transactions between sellers and buyers formed the only exchange paradigm analyzed by academics." (Pels *et al.* 1999: 3)

Indeed, and as explained in Lindgreen and Crawford (1999a), most studies on buyer-seller relationships have collected data from a single party in the dyad. But data from such actor-level focus studies is often misleading, as Anderson (1994) and Iacobucci and Zerrillo (1996) have noted, because a joint buyer-seller relationship has a character beyond the sum of the two individual parties. The explanation is evident: Bagozzi (1974) has defined the exchange system as a set of social actors; and Kotler (1997) has observed that there must be at least two parties for an exchange to take place.

In order to correlate perceptions from both the buyer and the seller in a buyer-seller relationship and to investigate the convergence of the two parties' views, the focus should, therefore, be on the dyad level. As argued by Pels *et al.* (1999), dichotomous categorisations tend to over-emphasise the context, and perceptions of both partners are important in understanding a relationship:

“Simple dichotomous categorisations over-emphasise the context, and neglect the role that the actors (both buyers and sellers) and their perceptions play in the interpreting the environment” (Pels *et al.* 1999: 14).

At this stage, the paper will argue that each of the three perspectives on relationship marketing is too simplistic. That is, the three perspectives are too limited to deal with all types of marketing exchanges (the marketing mix plus perspective). Marketers also can not manage their business relationships in a heterogeneous environment when their marketing approach is based solely on one marketing exchange paradigm; some buyers will remain transactional in their orientation (the paradigm shift perspective). The categorisation of marketing exchanges is also too simple as it does not take the dyadic nature of buyer-seller relationships into account; the most appropriate marketing approach is dependent on both the buyer and the seller (the categorisation perspective).

Buyer-Seller Exchange Situation Model

It is appropriate to introduce the theoretical buyer-seller exchange situation model that Pels and her colleagues (Pels 2000; and Pels *et al.* 1999) have developed. As illustrated in Figure 6, the model recognises the importance of both actors. The buyer can approach marketing with one of two paradigms: transaction marketing or relationship marketing. So,

too, can the seller. That means that there are four possible situations when the buyer and the seller seek to exchange goods or services.

		Buyers	
		Transaction marketing	Relationship marketing
Sellers	Transaction marketing	Transaction marketing	Hostage
	Relationship marketing	Free rider	Relationship marketing

Figure 6. The buyer-seller exchange situation model

When the seller is proposing a generic offer and the buyer seeks to satisfy a generic need, the marketing situation is one of transaction marketing. When the seller is developing a unique offer proposition for the buyer who seeks to satisfy a specific need, the marketing situation is one of relationship marketing. In both cases, there is a match between what the buyer is seeking and what the seller is offering. This is in contrast to the hostage situation where the seller is proposing a generic offer and the buyer seeks to satisfy a special need. It is also in contrast to the free rider situation where the seller wants to develop a close relationship and the buyer seeks to satisfy a generic need. In the former marketing situation, the buyer is a hostage because he can not have his special need satisfied; in the latter marketing situation, the buyer is a free rider since he is offered additional relational benefits although he only seeks to satisfy a generic need.

Thus, the marketing mix perspective is, as earlier mentioned, too limited to deal with all types of marketing exchanges. This is evident in the case when a seller's generic product offering is based upon, say, a competitive price (the 4Ps) but the buyer values a relationship based upon the co-operative development of a unique product. The paradigm shift perspective is also too limited to deal with all types of marketing exchanges. This is clear in the case when the seller is able to categorise different industries as either transactional or relational in marketing orientation. If profitable, the seller will probably target all industries. Likewise, the categorisation of marketing exchanges is not elaborate enough as it does not take the dyadic nature of buyer-seller relationships into account. Thus, the seller

might be able to segment a particular market according to the buyers' marketing orientation: the transactional buyers who are seeking a one-shot deal and the relational buyers who are wanting to do continuing business. If profitable, the seller will probably target both customer segments.

Although Pels (2000) has illustrated the apparent appropriateness of the model with theoretical examples from the business world, she and her colleagues have provided no empirical evidence to support the model. Indeed, Pels (2000) has called for the empirical testing of the model. In a similar way, most other authors who have concluded that transaction marketing is still relevant and practised concurrently with various types of relationship marketing also have not supported their claims with empirical evidence (e.g., Barnes 1995b; Brodie *et al.* 1997; Coviello *et al.* 1997; Liljander and Strandvik 1995; and Möller and Halinen-Kaila 1998). For example, Möller and Halinen-Kaila have theoretically noted that businesses frequently must master traditional aspects of marketing management, such as brand management and competitive positioning, in addition to relationship marketing.

As discussed in Brodie *et al.* (1997), some researchers have argued that the marketing practices of businesses in the industrial goods and services sectors are inherently different from the practices of businesses in the consumer packaged goods sector. This is because the industrial and services sectors are involved in complex network relationships with customers, suppliers and other important 'markets'. Brodie, Coviello and their colleagues are among the few researchers who have provided some empirical evidence. Based upon four case studies and a survey of 134 managers representing four different business sectors: consumer packaged goods, consumer durables, industrial goods and services, they concluded that many businesses are practising various types of relational marketing:

"It this is so, might it not be argued that Transactional and Relational marketing are not mutually exclusive, but are part of the same paradigm; a paradigm which allows for both perspectives to coexist?" (Brodie *et al.* 1997: 389)

This conclusion, however, was reached from the study of different business sectors; the research did not tell what is actually being practised in a particular business sector. This is

an important observation because the particular business sector may be key to what marketing approach is more appropriate, as observed by Buttle (1996):

“However, we do not even know whether all customers value the formation of relationships with suppliers. It is entirely possible that markets may be segmentable against some sort of ‘relationship-proneness’ variable. Neither do we know whether relationship-building is contextualized, i.e. is valued more highly in some sectors than in others. It would seem reasonable to hypothesize that relationship building would be seen as offering significant benefits when transaction costs are high.” (Buttle 1996: 7)

In pointing further to the limitations of the three perspectives, it should be noted that the claim of relationship marketing to constitute a new paradigm in marketing is far from being unified (Mattsson 1997). It is true that many researchers have contended that relationship marketing is fundamentally reshaping the field of marketing and emerging as a new paradigm (e.g., Arias 1998; Grönroos 1994a; Gummesson 1999; Kotler 1992b; and Parvatiyar and Sheth 1994) but it is also a fact that other researchers have argued that as yet there is no developed theory of relationship marketing but only differing and partial descriptions and theories. The foundations of relationship marketing thus become loose, as Möller and Halinen-Kaila (1998) have observed:

“RM [Relationship marketing] ... does not have the potential to constitute a general theory of marketing” (Möller and Halinen-Kaila 1998: 291).

With regard to the categorisation perspective, several researchers have disputed the notion of a marketing exchange continuum. Thus, Buttle (1996) has speculated that so-called relational marketing exchanges might constitute no more than series of discrete transactional marketing exchanges over time. In contrast, Fontenot and Wilson (1997) have argued that discrete transactional marketing exchanges are rare while MacNeil (1980) and Saren and Tzokas (1997) have contended that discrete transactional marketing exchanges, in fact, never take place.

Thus, the term ‘relationship marketing’ has been used differently by different researchers and “confusion sets in”, as observed by Palmer (1998: 106). At this time, academic institutions around the world have set up centres dedicated to the study of relationship marketing, and marketing conferences, marketing books and special issues in marketing journals have created an international forum of researchers who discuss the latest

conceptual and empirical research on relationship marketing. Overall, the paper contends that although some researchers have endeavoured to put together plausibly relevant theory from related fields in an effort to provide frameworks that conceptualise the scope, properties and remit of relationship marketing (Peck 1997), the need for studying current programmes of relationship marketing is still apparent. The present paper, which is part of that effort, will examine a number of research issues. At this stage, it has been argued that there is a need to study the following research issues:

Research Issue One

Is it possible to provide empirical evidence that the approach to contemporary marketing is pluralistic in nature? Phrased differently, is it possible to provide empirical evidence that transaction marketing is still relevant and that businesses practise it concurrently with various types of relationship marketing within the same industry?

Research Issue Two

Is it possible to provide empirical evidence that supports the buyer-seller exchange situation model that takes the marketing orientation of both the buyer and the seller into consideration?

Although the remaining parts of paper will more critically examine the nature and scope of relationship marketing, it is appropriate at this stage to introduce a classification scheme of different marketing practices. In an effort to clarify and reconcile the various views of marketing, Coviello *et al.* (1997) have developed a classification scheme that builds upon content analysis of how European and North American schools have defined marketing in the literature. The scheme is based upon two themes: relational exchange (with seven dimensions) and management activities and processes (with five dimensions). Coviello and her colleagues have identified two general marketing perspectives: transaction marketing and relationship marketing, and these two marketing perspectives were found to encompass four distinct types of marketing (Table 3 and Table 4). It is important to understand that the scheme does not place distinct boundaries between the four types of marketing and that the different types of marketing are not necessarily independent and mutually exclusive.

Table 3. Types of marketing classified by relational exchange dimensions

	Transactional Perspective		Relational Perspective	
	Type: Transaction Marketing	Type: Database Marketing	Type: Interaction Marketing	Type: Network Marketing
Focus	Economic transaction	Information and economic transaction	Interactive relationships between a buyer and seller	Connected relationships between firms
Parties Involved	A firm and buyers in the general market	A firm and buyers in a specific target market	Individual sellers and buyers (a dyad)	Sellers, buyers, and other firms
Communication Pattern	Firm "to" market	Firm "to" individual	Individuals "with" individuals (across organisations)	Firms "with" firms (involving individuals)
Type of Contact	Arms-length, impersonal	Personalised (yet distant)	Face-to-face, interpersonal (close, based on commitment, trust, and co-operation)	Impersonal – interpersonal (ranging from distant to close)
Duration	Discrete (yet perhaps over time)	Discrete and over time	Continuous (ongoing and mutually adaptive, may be short or long term)	Continuous (stable yet dynamic, may be short or long term)
Formality	Formal	Formal (yet personalised via technology)	Formal and informal (i.e. at both a business and social level)	Formal and informal (i.e. at both a business and social level)
Balance of Power	Active Seller – Passive buyers	Active seller – Less passive buyers	Seller and buyer mutually active and adaptive (interdependent and reciprocal)	All firms active and adaptive

Source: COVIELLO, N. E., BRODIE, R. J. and MUNRO, H. J. (1997), "Understanding contemporary marketing: development of a classification scheme", *Journal of Marketing Management*, Vol. 13, No. 6, pp. 501-552, p. 387.

Table 4. Types of marketing classified by managerial dimensions

	Transactional Perspective		Relational Perspective	
	Type: Transaction Marketing	Type: Database Marketing	Type: Interaction Marketing	Type: Network Marketing
Managerial Intent	Customer attraction (to satisfy the customer at a profit)	Customer retention (to satisfy the customer, increase profit, and attain other objectives such as increased loyalty, decreased customer risk, etc.)	Interaction (to establish, develop, and facilitate a co/operative relationship for mutual benefit)	Co-ordination (interaction between sellers, buyers, and other parties across multiple firms for mutual benefit, resource exchange, market access, etc.)
Decision Focus	Product of brand	Product/brand and customers (in a targeted market)	Relationships between individuals	Connected relationships between firms (in a network)
Managerial Investment	Internal marketing assets (focusing on product/service, price, distribution, promotion capabilities)	Internal marketing assets (emphasising communication, information, and technology capabilities)	External market assets (focusing on establishing and developing a relationship with another individual)	External market assets (focusing on developing the firms position in a network of firms)
Managerial Level	Functional marketers (e.g. sales manager, product development manager)	Specialist marketers (e.g. customer service manager, loyalty manager)	Managers from across functions and levels in the firm	General manager
Time Frame	Short-term	Longer-term	Short- or long-term	Short- or long-term

Source: COVIELLO, N. E., BRODIE, R. J. and MUNRO, H. J. (1997), "Understanding contemporary marketing: development of a classification scheme", *Journal of Marketing Management*, Vol. 13, No. 6, pp. 501-552, p. 388.

One of the reasons why relationship marketing has remained an ambiguous concept is because a number of adjacent disciplines (so-called parent disciplines) all have contributed to the theory development of relationship marketing. Economics, political science, organisational sciences, sociology, social psychology and law are among such adjacent disciplines (Eiriz and Wilson 1999). In addition, and as will become clear in the following section, relationship marketing has also drawn on many different streams of research within marketing.

Parent Disciplines of Relationship Marketing

A number of adjacent disciplines have contributed to the theory relationship marketing. That is, relationships, interactions and networks have been studied in these disciplines. This observation has been illustrated in the classification model of the parent disciplines in Figure 7.

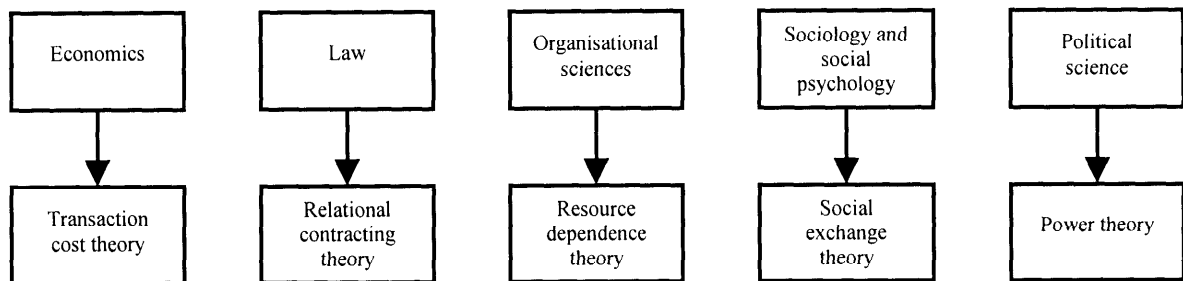


Figure 7. Adjacent disciplines contributing to the theory developing of relationship marketing

Source: EIRIZ, V. and WILSON, D. (1999), "Theoretical foundations and research priorities in relationship marketing", competitive paper in the proceedings from the *Annual Conference of the European Marketing Academy*, 11-14 May, Humboldt University, Berlin.

Economics

In economics, Williamson (1975, 1985 and 1991) has understood the economic rationality of relationships and networks in terms of transaction cost theory. According to Williamson, transaction costs include the negotiation, the monitoring and the enforcement of business contracts; the co-ordination between the business' value-added processes; and the risks of opportunistic behaviour and power imbalances between business parties. Thus, it is possible for a business to establish relationships and networks with other businesses and this means that transactions take place within an open market and that transaction costs are generated. However, it is also possible for a business to co-ordinate its internal relationships and networks and this means that transactions become a set of successive value-added processes that are vertically integrated within the business. Williamson, then, has argued that businesses will choose the form of transactions that minimise their costs. It is possible to observe the efficiency of relationships and networks within a business and between different businesses through asset specificity, internal and external uncertainty as well as frequency of transactions. For example, when business A invests in equipment that

is unique for the production of goods to business B, business A is more committed in its relationship with business B than it otherwise would be.

Law

In law, MacNeil (1978 and 1980) has distinguished between discrete transactions and relational exchanges when writing on relational contracting theory. Thus, discrete transactions are characterised in terms of narrow content (that is, money and a commodity) and limited communication. Relational transactions, on the other hand, are multi-dimensional transactions and differ from discrete transactions along several key dimensions. Dwyer *et al.* (1987) have provided a comparison of discrete transactions and relational exchange that is based upon MacNeil's work (Table 5).

Relational exchanges are longer in duration than transactional exchanges reflecting an on-going process. Moreover, relational exchanges are characterised in terms of increased interdependence different parties or networks. There is significant focus on the process of exchange, all aspects of performance - including psychic and future benefits - are specified and quantified. Plans for the future exchange within new environments are also detailed; this is in contrast to transactional exchanges where no future is anticipated. With regard to the division of benefits and burdens, it is likely that relational exchanges include some sharing of benefits and burdens as well as adjustments to both shared and parcelled benefits and burdens over time. In transactional exchanges, however, there is a sharp division of benefits and burdens into parcels. Personal relationships are minimal in transactional exchanges whereas such relationships are important in relational exchanges; thus, both formal and informal communications are used. Finally, transactional exchanges are governed by social norms, rules, etiquette and prospects for self-gain; in relational exchanges, there is increased emphasis on legal but in particular self-regulation, and psychological satisfactions cause internal adjustments.

Table 5. A comparison of discrete transactions and relational exchanges

Contractual elements	Discrete transactions	Relational exchanges
Timing of exchange (commencement, duration and termination of exchange)	Distinct beginning, short duration and sharp ending by performance	Commencement traces to previous agreements; exchange is longer in duration reflecting an on-going process
Number of parties (entities taking part in some aspect of the exchange process)	Two parties	Often more than two parties involved in the process and governance of exchange
Obligations (three aspects: sources of content, sources of obligation and specificity)	Content comes from offers and simple claims, obligations come from beliefs and customs (external enforcement) and standardised obligations	Content and sources of obligations are promises made in the relation plus customs and laws; obligations are customised, detailed and administered within the relation
Expectations for relations (especially concerned with conflicts of interest, the prospects of unity and potential trouble)	Conflicts of interest (goals) and little unity are expected but no future trouble is anticipated because cash payment upon instantaneous performance precludes future inter-dependence	Anticipated conflicts of interest and future trouble are counterbalanced by trust and efforts at unity
Primary personal relations (social interaction and communication)	Minimal personal relationships; ritual-like communications predominate	Important personal, non-economic satisfactions derived; both formal and informal communications are used
Contractual solidarity (regulation of exchange behaviour to ensure performance)	Governed by social norms, rules, etiquette and prospects for self-gain	Increased emphasis on legal and self-regulation; psychological satisfactions cause internal adjustments
Transferability (the ability to transfer rights, obligations and satisfactions to other parties)	Complete transferability; it matters not who fulfils contractual obligation	Limited transferability; exchange is heavily dependent on the identity of the parties
Co-operation (especially joint efforts at performance and planning)	No joint efforts	Joint efforts related to both performance and planning over time; adjustment over time is endemic
Planning (the process and mechanisms for coping with change and conflicts)	Primary focus on the substance of exchange; no future is anticipated	Significant focus on the process of exchange; detailed planning for the future exchange within new environments and to satisfy changing goals; tacit and explicit assumptions abound
Measurement and specificity (calculation and reckoning of exchange)	Little attention to measurement and specifications; performance is obvious	Significant attention to measuring, specifying and quantifying all aspects of performance including psychic and future benefits
Power (the ability to impose one's will on others)	Power may be exercised when promises are made until promises are executed	Increased inter-dependence increases the importance of judicious application of power in the exchange
Division of benefits and burdens (the extent of sharing of benefits and burdens)	Sharp division of benefits and burdens into parcels; exclusive allocation to parties	Likely to include some sharing of benefits and burdens and adjustments to both shared and parcelled benefits and burdens over time

Source: DWYER, F. R., SCHURR, P. H. and OH, S. (1987), "Developing buyer-seller relationships", *Journal of Marketing*, Vol. 51, No. 2, pp. 11-27, p. 13.

Political Science

In political science, researchers have examined organisational relationships and networks, especially those among non-profit organisations, such as public services (e.g., Provan and Milward 1995; Thorelli 1986; and Van de Ven 1976). Thus, the co-ordination of resources, as a means to improve the effectiveness and efficiency in the public services sector, become important. Because of the many wide-ranging implications of resource co-ordinations for public policy making, resource co-ordination soon became of great interest to many political researchers. One of the main contributions of political science has been the concept of power (e.g., Emerson 1962; and French and Raven 1959). For example, Emerson has argued that the relative power between party A and party B is determined by the resources that party A (party B) owns and controls relative to party B (party A).

Organisational Sciences

In organisational sciences, researchers have extended the study of organisational relationships and networks to those among profit organisations and multi-national corporations. These researchers have drawn not only on the concept of power but also on resource dependence theory that was first developed by Pfeffer and Salancik (1978). The theory states that resources are usually limited and businesses, therefore, seek to establish relationships and networks with other businesses as a means to gain access to otherwise non-accessible vital resources. The role of resources, thus, affects the behaviour of businesses.

Sociology

In sociology and social psychology - when researchers at Harvard University began to examine social structures using the terms of the role of relationships and network in the exchange behaviour of actors (that is, individuals and groups) - the social exchange theory became a methodologically coherent framework. It is important to understand that social exchange theory can also be applied to organisational studies (Eiriz and Wilson 1999). In his articles on marketing as exchange, Bagozzi (1975) has drawn on the social exchange theory. He has argued that marketing exchanges often are indirect exchanges involving

intangible and symbolic aspects and that more than two parties participate. According to Bagozzi, there are three types of marketing exchanges: restricted exchanges (that is, party A ↔ party B), generalised exchanges (for example, party A → party B → party C → party A) and complex exchanges (for example, party A ↔ party B ↔ party C). In general, Bagozzi has argued, marketing exchanges can exhibit utilitarian meanings (that is, goods are exchanged for money or for other goods), symbolic meanings (that is, exchanges involve psychological, social or other intangible entities) and mixed meanings (that is, exchanges involve both utilitarian and symbolic meanings).

Likewise, Patterson *et al.* (1998) have found that international business partnerships are grounded in six theories. That is, transaction cost economics (Williamson 1975, 1979 and 1985), network theory (Achrol 1997, Ford 1990; and Håkansson 1982), cross-cultural management (Cullen and Johnson 1995; Johnson *et al.* 1996; and Lorange and Roos 1993), relational exchange theory (MacNeil 1980), resource dependence theory (Pfeffer and Salancik 1978) and political economics (Stern and Reve 1980). For each of the theories, a number of the most significant references – as identified by Patterson and his colleagues - have been added in brackets.

It is important to note that there are other disciplines that have contributed to relationship marketing but that they have been excluded for the sake of clarity. Game theory (Nielsen 1988), agency theory (Bergen *et al.* 1992), population ecology theory (Aldrich 1979) and total quality management (Ishikawa 1985; and Juran 1992) are among such disciplines. For example, in total quality management there has been a shift of focus from inspecting production outputs to monitoring the variation in production during the process. Christopher *et al.* (1991) have argued that quality must be perceived from the viewpoint of the customer and that it is an inherent part of relationship marketing.

In summary, borrowing from a number of adjacent disciplines, relationship marketing has employed different concepts, such as transaction cost theory, power theory, resource dependence theory, social exchange theory and relational contracting theory. As we shall see shortly, the concepts have shaped both the nature and scope of the objectives of relationship marketing, the marketing activities in relationship marketing and the qualities

of strong buyer-seller relationships. Figure 8 outlines the factors from the six theories that Patterson and his colleagues (1998) identified as providing the theoretical foundations of international business partnerships; although the figure is similar to Figure 7, it adds a number of details.

Immediate Disciplines in Relationship Marketing

Möller and Halinen-Kaila (1998: 290) have observed that few researchers have paid close attention to the “deeper meaning of relationship marketing” and to the content and relatedness of relationship marketing to existing theory formation. They have speculated that the different views of relationship marketing are dependent on the ontological and epistemological assumptions of the particular research tradition as well as on the issues that each research tradition has chosen as focal:

“Each tradition provides a particular and partial view of its focal phenomena, dependent both on its ontological and epistemological assumptions, and on the issues researchers in that tradition have chosen to bring to the foreground.” (Möller and Halinen-Kaila 1998: 293)

Indeed, the need to generate theories or frameworks for the synthesis of relationship marketing has been recognised by a number of researchers, such as Cooper *et al.* (1997), Gummesson (1996), Iacobucci (1994) and Lehtinen (1996). For example, Cooper *et al.* (1997) carried out a bibliometric study in order to assess the current state of relationship marketing. They used a list of key words for searching the abstracts of articles in *Journal of Marketing*, *Journal of Marketing Research*, *Journal of the Academy of Marketing Science* and *Marketing Letters* for 1990 through 1994. Coopers and her colleagues obtained the list of key words in the following way: Two independent coders identified key words in abstracts from the proceedings of the *Second Conference on Relationship Marketing* (Sheth and Parvatiyar 1994); the articles of this conference have frequently been cited in the area of relationship marketing area and thus represent key areas in relationship marketing. The lists from the two coders were then compared and through discussion between the coders a reduced list of thirteen key words was set up (Table 6); the key words from this list tend to define an article as a topic of relationship marketing. In all, 106 articles were searched.

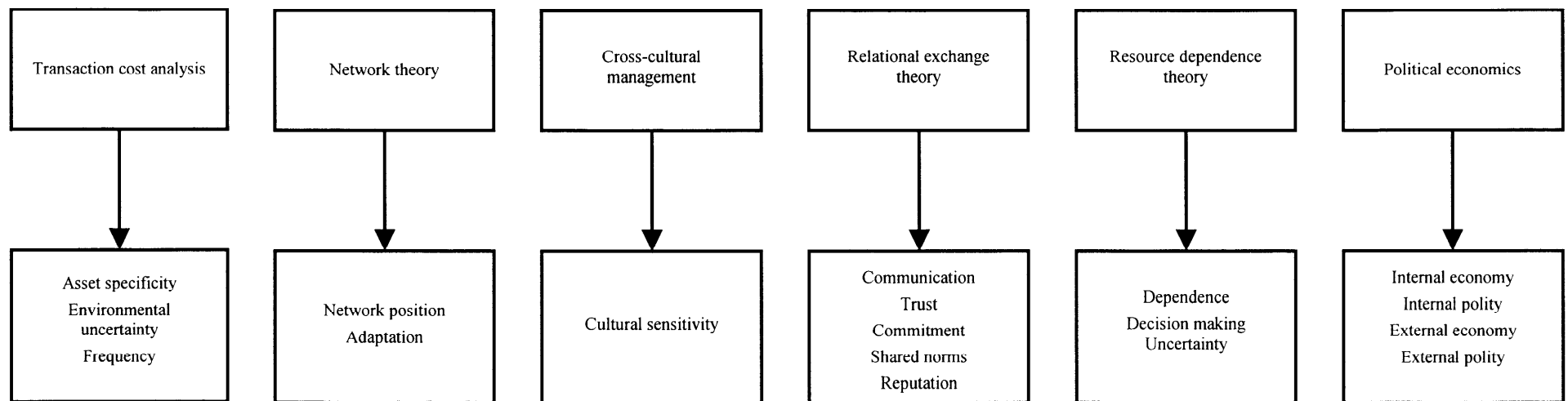


Figure 8. Adjacent disciplines contributing to the theory of international business partnerships

Source: PATTERSON, P., STYLES, C. and AHMED, F. (1998), "The determinants of successful relationships in international business", in BRODIE, R., BROOKES, R., COLGATE, M., COLLINS, B. and MARTIN, A. (Eds.), *Proceedings of the 6th International Colloquium in Relationship Marketing*, 7-8 December, University of Auckland, Auckland, pp. 23-55, p. 36.

Table 6 Key words for defining an article as a relationship marketing topic

Relational/relations	Co-operation	Relationship
Partnership	Dyad	Alliances
Network	Collaborative	Long-term
Conflict	On-going	Trust
Buyer-seller		

Source: COOPER, M. C., GARDNER, J. T. and PULLINS, E. B. (1997), "A benchmark bibliometric approach to identifying the state of theory development in relationship marketing", competitive paper for *New and Evolving Paradigms: The Emerging Future of Marketing*, June, University College Dublin and American Marketing Association, Dublin.

Cooper and her colleagues also searched twenty of the most cited articles in the literature on relationship marketing (that is, the proceedings of the *Second Conference on Relationship Marketing*). They finally asked three outside expert researchers in the area of relationship marketing to generate all of the different approaches to the study of relationship marketing that they could think of; the experts generated a list of twenty-eight different approaches. Thus, Cooper and her colleagues finally obtained a list of the most critical twenty-five cites in the field of relationship marketing (Table 7).

Based upon statistical analysis of the cites, Cooper and her colleagues concluded that there is not yet a consistent theory of what constitutes relationship marketing. In other words, there is not a dominant paradigm underlying relationship marketing at the present time. It is important to note, however, that the researchers carried out their bibliometric study on predominantly American articles and conference proceedings. Thus, articles from the European and Australasian marketing literature and the recent relationship marketing virtual conference were not included in the study.

Overall, the bibliometric study identified a set of three clusters of the literature thus providing support to the proposition that relationship marketing is in a state of transition and that the sources for theory building are not on solid ground. Using the simple analytical model in Figure 9 (Lindgreen and Crawford 1999a), the paper now proceeds to examine relationship marketing in terms of three areas: the objectives of relationship marketing, the marketing activities in relationship marketing and the qualities of strong buyer-seller relationships.

Table 7. Citations of theoretical perspectives on relationship marketing

Dependence balancing	ANDERSON, J. C. and NARUS, A. (1990), "A model of distributor firm and manufacturer firm working partnerships", <i>Journal of Marketing</i> , Vol. 54, January, pp. 42-58.
Commitment	ANDERSON, E. and WEITZ, B. (1992), "The use of pledges to build and sustain commitment in channels", <i>Journal of Marketing Research</i> , Vol. 29, February, pp. 18-34.
Exchange	BAGOZZI, R. P. (1975), "Marketing as exchange", <i>Journal of Marketing</i> , Vol. 39, October, pp. 32-39.
Inter-personal influences	CROSBY, L. A., EVANS, K. R. and COWLES, D. (1990), "Relationship quality in services selling: an interpersonal influence perspective", <i>Journal of Marketing</i> , Vol. 54, July, pp. 68-81.
Competitive advantage	DAY, G. S. and WENSLEY, R. (1988), "Assessing advantage: a framework for diagnosing competitive superiority", <i>Journal of Marketing</i> , Vol. 52, ..., pp. 1-20.
Organisational buying	DWYER, F. R., SCHURR, P. H. and OH, S. (1987), "Developing buyer-seller relationships", <i>Journal of Marketing</i> , Vol. 51, April, pp. 11-27.
Contract	FRAZIER, G. (1993), "Interorganizational exchange behavior in marketing channels: a broadened perspective", <i>Journal of Marketing</i> , Vol. 47, Fall, pp. 68-78.
Just-in-time/total quality management	FRAZIER, G. L., SPEKMAN, R. E. and O'NEAL, C. R. (1988), "Just-in-time exchange relationships in industrial markets", <i>Journal of Marketing</i> , Vol. 52, October, pp. 52-67.
Power	FRENCH, J. R. P. and RAVEN, B. (1959), "The bases of social power", in ARBOR, A. (Ed.), <i>Studies in Social Power</i> , Dorwin Cartwright, University of Michigan Press, Michigan.
	GASKI, J. F. (1984), "Theory of power and conflict in channels of distribution", <i>Journal of Marketing</i> , Vol. 48, Summer, pp. 9-29.
Information/knowledge	GLAZER, R. (1991), "Marketing in an information-intensive environment: strategic implications of knowledge as an asset", <i>Journal of Marketing</i> , Vol. 55, October, pp. 1-19.
Management/organisational behaviour	GRÖNROOS, C. (1990b), "Relationship approach to marketing in service contexts: the marketing and organizational behavior interface", <i>Journal of Business Research</i> , Vol. 20, January, pp. 8-11.
Legal/ethical issues	GUNDLACH, G. T. and MURPHY, P. (1993), "Ethical and legal foundations of relationship exchanges", <i>Journal of Marketing</i> , Vol. 57, October, pp. 35-36.
Network theory	HÄKANSSON, H. and SNEHOTA, I. (1982), <i>Developing Relationships in Business Networks</i> , Routledge, London.
Partnership/strategic alliance	HEIDE, J. and JOHN, G. (1990), "Alliances in industrial purchasing: the determinants of joint action in buyer-supplier relationships", <i>Journal of Marketing Research</i> , Vol. 27, February, pp. 24-36.
Game theory	NASH, J. F. (1950), "The bargaining problem", <i>Econometrica</i> , Vol. 18, April, pp. 55-162.
Negotiation	PRUITT, D. G. (1981), <i>Negotiation Behavior</i> , Academic Press, New York.
Buyer-seller	SHETH, J. N., GARDNER, D. and GARRETT, D. (1988), <i>Marketing Theory: Evolution and Evaluation</i> , Wiley and Sons, New York.
Channels	STERN, L. and EL-ANSARY, A. (1992), <i>Marketing Channels</i> , Prentice-Hall, Englewood Cliffs, New Jersey.
Social exchange	THIBAUT, J. and KELLEY, H. (1959), <i>The Social Psychology of Groups</i> , John Wiley and Sons, New York.
Inter-organisational relationships	VARADARAJAN, R. and RAJATARNAM, D. (1986), "Symbiotic marketing revisited", <i>Journal of Marketing</i> , Vol. 56, October, pp. 7-17.
Corporate culture	WEBSTER, F. E. JR. (1992), "The changing role of marketing in the corporation", <i>Journal of Marketing</i> , Vol. 56, October, pp. 1-17.
Transaction cost analysis	WILLIAMSON, O. E. (1985), <i>The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting</i> , Free Press, New York.
	WILLIAMSON, O. E. (1975), <i>Markets and Hierarchies: Analysis and Antitrust Implications: A Study in the Economics of Internal Organization</i> , Free Press, New York.

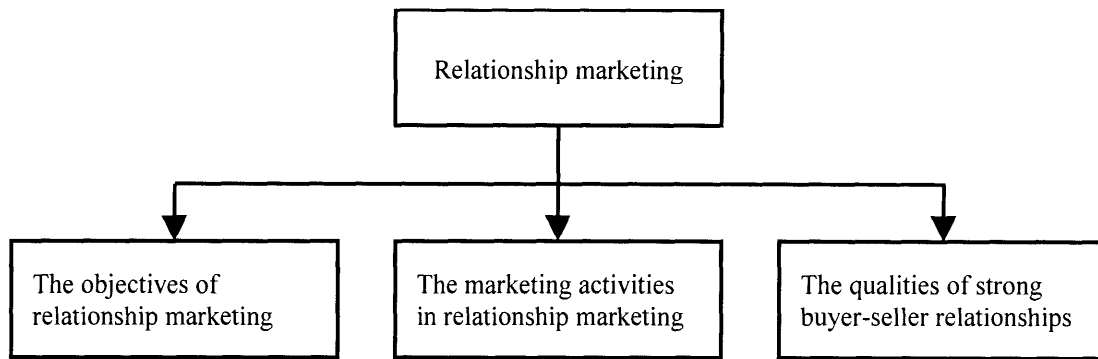


Figure 9. Analytical model of the immediate disciplines in relationship marketing

The model, which is illustrated above, is a useful framework for the studying of relationship marketing. Indeed, Hart *et al.* (1999) recently reported on a similar framework that also included the area of technology. However, the author agrees with those researchers who have argued that technology today is so pervasive that it underlies all parts of the business: the organisational structure, the business processes and the networks of the business and its suppliers, customers and other important ‘markets’. Technology, therefore, should not be included as yet another area in the understanding of relationship marketing.

The Objectives of Relationship Marketing

It is interesting to observe that the objectives of relationship marketing in many ways are similar to those of ‘micro-marketing’, ‘direct marketing’, ‘database marketing’, ‘one-to-one marketing’, ‘after-marketing’, ‘loyalty marketing’, ‘customer retention’, ‘wrap-around marketing’, ‘customer partnering’, ‘customer satisfaction’, ‘symbiotic marketing’, ‘customer relationship management’ and ‘interactive marketing’ (see, for example, Buttle 1996; Gordon 1998; and Snehota and Söderlund 1998). The above observation is less surprising, however, when one recalls the study by Cooper and her colleagues (1997) who found twenty-two major theoretical perspectives on relationship marketing (Table 7). Other researchers have carried out similar studies.

For example, Brodie and his colleagues (1997) identified six major theoretical perspectives (or research streams in) on relationship marketing. That is, services marketing, inter-organisational exchange relationships, channel marketing, network relationships, strategic

management and information technology. Thus, the first stream examines relationship marketing from a services marketing perspective (e.g., Berry 1983; Bitner 1995; Grönroos 1990a; and Rust and Zahorik 1993). The second stream looks at both buyer-seller relationships (Ford 1998; and Håkansson 1982) and the constructs underlying the inter-organisational exchange relationships (e.g., Dwyer *et al.* 1987; and Wilson 1995). The third stream focuses on vertical marketing (e.g., Bucklin 1970), control mechanisms (e.g., Brown *et al.* 1995) and the development of effective and efficient channel relationships (e.g., Anderson and Weitz 1992; and Buzzell and Ortmeyer 1995). The fourth stream examines industrial markets and the relationships between multiple organisations (e.g., Croft and Woodruff 1996; and Johanson and Mattson 1985). The fifth stream studies relationships in value chains (e.g., Aigrøy 1999a and 1999b; Ganesan 1994; and Normann and Ramirez 1993), and the sixth stream investigates the impact of information technology on the relationships within an organisation and between organisations (e.g., Morton 1991; and Pine 1993).

Another example of researchers who carried out a study on the theoretical perspectives on relationship marketing is Eiriz and Wilson (1999) who identified four main streams. The first stream is supply chain management/channel management (e.g., El-Ansary and Stern 1972; Stern and El-Ansary 1992; and Rosenberg and Stern 1971) and the second stream is interaction/network approach (e.g., Ford 1990 and 1998; and Håkansson 1982). The third stream and fourth stream are database/interactive marketing (e.g., Blattberg and Deighton 1991; Copulsky and Wolf 1990; and Fletcher *et al.* 1990) and services marketing (Berry 1983; Bitner 1995; Grönroos 1990a; and Rust and Zahorik 1993).

Drawing on all these many streams of research in relationship marketing, several researchers have sought to define what constitutes relationship marketing. As mentioned earlier in the paper, Berry (1983) introduced relationship marketing in the context of services marketing:

“Relationship marketing is attracting, maintaining and - in multi-service organizations - enhancing customer relationships. Servicing and selling existing customers is viewed to be just as important to long-term marketing success as acquiring new customers.” (Berry 1983: 25)

It was also mentioned that Jackson (1985) examined relationship marketing in the context of industrial marketing:

“Relationship marketing concerns attracting, developing, and retaining customer relationships.” (Jackson 1985: 2)

Morgan and Hunt (1994) have argued in much the same vein:

“Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges.” (Morgan and Hunt 1994: 22)

Other researchers, such as Dwyer *et al.* (1987), Gordon (1998), Gummesson (1999), Palmer (1998) and Stone and Woodcock (1995), have in a similar way argued that relationship marketing reflects an on-going process. That is, the retention of customers becomes the objective of relationship marketing. For example, Stone and Woodcock noted that relational exchanges stretch over many transactions:

“Relationship marketing is the use of a wide range of marketing, sales, communication and customer care techniques and processes to: (1) Identify your named individual customers, (2) create a relationship between your company and these customers - a relationship that stretches over many transactions and (3) manage that relationship to the benefit of your customers and your company.” (Stone and Woodcock 1995: 11)

But as evidenced in the above text unit, Stone and Woodcock also argued that relationship marketing should be about identifying the individual customers with whom the business seeks marketing exchanges. Peppers and Rogers (1995) made the same argument when writing on what has been termed ‘one-to-one buyer-seller relationships’:

“The objective of ... relationship marketing ... is to give an enterprise the capability to treat its customers as individuals and thereby develop a continuing business relationship with them. ... [Relationship marketing] uses individually addressable and interactive media to permit dialogues with consumers and also can offer mass customized goods and services ... It measures success in terms of long-term gains in its share of its customers’ business...” (Peppers and Rogers 1995: 15)

The views of Stone and Woodcock and of Peppers and Rogers are much like the marketing mix perspective: relationship marketing - as in relationships, networks and interactions - make up the foundations of marketing together with the 4Ps. Copulsky and Wolf (1990)

also focused on customer segments and saw direct marketing as one means of reaching certain customers more effectively and efficiently:

“Relationship marketing combines elements of general advertising, sales promotion, public relations, and direct marketing to create more effective and more efficient ways of reaching consumers. It centres on developing a continuous relationship with consumers across a family of related products and services.” (Copulsky and Wolf 1990: 16)

In this process, Cram (1994) argued, it is important to make use of up-to-date knowledge of the individual customers:

“Relationship Marketing is the consistent application of up-to-date knowledge of individual customers to product and service design which is communicated interactively, in order to develop a continuous and long term relationship, which is mutually beneficial.” (1994: 19)

Cram also emphasised that buyer-seller relationships should be mutually beneficial. Indeed, most researchers who have sought to define the character of relationship stress that on-going successful buyer-seller relationships can be described in terms of trust, commitment, co-operation, adaptation and mutual benefits. The character of such on-going successful buyer-seller relationships will be more critically examined in *The Qualities of Strong Buyer-Seller Relationships* section. At this stage, two examples will illustrate the point. The first example is Gordon (1998) who stressed that benefits must be shared between the parties who collaborate and are dependent upon each other:

“Relationship Marketing is the ongoing process of identifying and creating new value with individual customers and then sharing the benefits from this over a lifetime of association. It involves the understanding, focusing and management of ongoing collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organizational alignment.” (Gordon 1998: 9)

The second example is Sheth (1994) who likewise highlighted the collaboration between buyer and sellers:

“[Relationship marketing is the] understanding, explanation, and management of the ongoing collaborative business relationship between suppliers and customers.” (Sheth 1994: 2)

The definition of Grönroos (1994a) is an attempt of re-defining contemporary marketing by incorporating both the transactional view and the relational view of marketing:

“Marketing is concerned with exchange relationships between the organization and its customers and quality and customer service are key linkages in this relationship. ... As a result [of the alignment between the three areas] relationship marketing ... is emerging as the new focal point integrating customer service and quality with a market orientation.” (Christopher *et al.* 1991: 4)

Gummesson, too, found that relationship marketing is about relationships, networks and interactions:

“Relationship marketing (RM) is marketing seen as relationships, networks and interaction”. (Gummesson 1994b: 32)

He then proceeded to delineate thirty different relationships (Table 8) and, at the same time, noted that all relationships are not necessarily equally important. Marketers, therefore, should identify the relationships that are essential to the success of the business so that the cost and revenue of these relationships and ultimately their contribution to the business’ profits can be calculated (Gummesson 1994b).

Table 8. The thirty relationships of relationship marketing

The classic dyad – the relationship between the supplier and the customer	The customer as ‘member’	Alliances change the market mechanisms
The classic triad – the drama of the customer – supplier – competitor triangle	The electronic relationship	The knowledge relationship
The classic network – distribution channels	Para-social relationships / relationships to symbols and objects	Mega alliances change the basic conditions for marketing
Relationships via full-time marketers and part-time marketers	The non-commercial relationship	The mass media relationship
The service encounter – interaction between the customer and the service provider	The green relationship	Market mechanisms are brought inside the company
The many-headed customer and the many-headed supplier	The law/based relationship	Internal customer relationship
The relationship to the customer’s customer	The criminal network	Quality providing a relationship between operations management and marketing
The close versus the distant relationship	Personal and social networks	Internal marketing: relationships with the ‘employee market’
The relationship to the dissatisfied customer	Mega-marketing / the real ‘customer’ is not always found in the marketplace	The two-dimensional matrix relationship
The monopoly relationship: the customer or supplier as prisoners		The relationship to external providers of marketing services
		The owner and financier relationship

Source: GUMMESSON, E. (1999), *Total Relationship Marketing: From the 4Ps – product, price, promotion, place – of traditional marketing management to the 30Rs – the thirty relationships – of the new marketing paradigm*, Butterworth-Heinemann, Oxford.

Kotler (1992a) identified ten different markets: four markets from the immediate environment and six markets from the macro-environment. Morgan and Hunt (1994), too, found ten market partnerships: two buyer partnerships, two supplier partnerships, three lateral partnerships and three internal partnerships. The 'Industrial and Marketing Purchasing Group' has approached relationship marketing in a similar way (e.g., Ford 1990 and 1998; and Håkansson 1982).

In summary, researchers have viewed relationship marketing in terms of a number of different objectives:

- To establish/attract, maintain/retain and enhance/develop buyer-seller relationships.
- To identify individual customers/customer segments and to create relationships with these individual customers/customer segments (that is, the marketing mix perspective).
- To use up-to-date knowledge of individual customers/customer segments in order to customise products and services.
- To increase the business' share of its customers' total purchases.
- To create strong buyer-seller relationships in terms of trust, commitment, co-operation, adaptation and mutual benefits.
- To establish relationships, networks and interactions with important markets.

The Marketing Activities in Relationship Marketing section will examine in more detail how to identify individual customers/customer segments as well as how to create relationships with these individual customers/customer segments. *The Qualities of Strong Buyer-Seller Relationships* section will look at how to create strong buyer-seller relationships in terms of trust, commitment, co-operation, adaptation and mutual benefits. *The Marketing Activities in Relationship Marketing* section will discuss how to establish relationships, networks and interactions with important markets.

To Establish/Attract, Maintain/Retain and Enhance/Develop Buyer-Seller Relationships

With regard to establishing/attracting, maintaining/retaining and enhancing/developing buyer-seller relationships it would seem politic to follow the developments in the duration of buyer-seller relationships, the retention rate of buyers and the defection rate of buyers

(e.g., Buchanan and Gillies 1990; Dawkins and Reichheld 1990; Kotler 1997; Peters 1988; Reichheld 1996; Rosenberg and Czepiel 1984; and Sellers 1989). The duration of a buyer-seller relationship is a measurement for how long time a buyer remains with the seller. The retention rate of buyers is the percentage of buyers who remain with the seller after a certain time period. In a similar way, the defection rate of buyers is the percentage of buyers who do not remain with the seller after a certain period. [It should be noted that there are other ways of defining the retention rate and the defection rate.]

Although the figures are important when marketers want to examine the developments in buyer-seller relationships, there is some evidence that seems to suggest that they should be used carefully. For example, the retention rate of buyers may be high but not all buyers are equally important for a business and some buyers might in fact not be profitable at all, such as dormant bank account customers (Carroll 1991-92). In certain industries, according to Sherden (1994), the top twenty per cent of the buyers generate as much as eighty per cent of the profits but half of these profits are lost because of the bottom thirty per cent of the buyers who are unprofitable. Hammond and Ehrenberg (1995), therefore, have argued that 'light buyers' and 'heavy buyers' should be differentiated from each other with the heavy buyers placing a bigger share of the overall purchasing with the seller.

Buttle and Ahmad (1998), Clark *et al.* (1995), DeSouza (1992), Reichheld and colleagues (e.g., Reichheld 1996; Reichheld and Kenny 1990; and Reichheld and Sasser 1990), Rosenberg and Czepiel (1984), Stewart (1996) and Turnbull and Wilson (1989) are among researchers who have proposed ways of retaining customers.

For example, Clark *et al.* (1995) suggested a formalised framework for improving the retention rate of customers (Figure 11). Thus, the retention rate of customers is measured, over time, for each product-market and service-market, and profitability analysis for these two markets are undertaken. In the cases where the retention rate deviates from the required retention rate, the cause of defection is determined by employing root cause analysis, trade-off analysis, benchmarking and/or complaints analysis. Then a corrective action is taken: the management's endorsement and the employees' satisfaction are obtained and the implementation plan is rolled out using best practice.

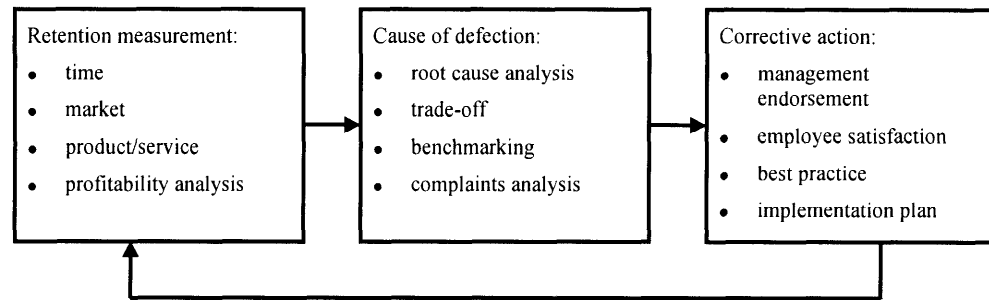


Figure 11. Framework for improving the retention rate of customers

Source: CLARK, M., PECK, H., PAYNE, A. and CHRISTOPHER, M. (1995), "Relationship marketing: towards a new paradigm", in PAYNE, A. (Ed.), *Advances in Relationship Marketing*, Kogan Page, London, pp. 263-280.

It should be noted that although the retention rate of buyers often is treated as equal to (brand) loyalty, repetitious purchasing and thus high retention rate of buyers is not necessarily the same as (brand) loyalty. Repetitious purchasing may be the result of market structures, such as a seller enjoys monopoly, or high switching costs for the buyers who, therefore, decide to stay in the buyer-seller relationship. Repetitious purchasing may also be the result of buyers being unaware of alternatives.

However, dependence upon a few customers or suppliers can pose a substantial risk to a business (Gardner *et al.* 1994). So, too, can the investment in specific assets, such as specialised communication software or employee training because such assets are not easily transferable to other business uses (Williamson 1985 and 1991; and Joseph *et al.* 1995).

To Increase the Business' Share of its Customers' Total Purchases

Businesses have traditionally used figures for its market share to monitor and measure the returns on its marketing programmes. The market share is the percentage of a particular product-market that the business holds. It has recently been argued, however, that businesses should also pay attention to the share of their customers' overall purchasing among different product-markets (e.g., Hammond and Ehrenberg 1995; Johnson 1992; and Peppers and Rogers 1995). Thus, it may be economically more advantageous for a business to invest in fewer, more selected customers who, over time, place a bigger part of their overall purchasing with the business than to rely on many customers who spread their purchasing over a number of sellers.

Overall, researchers have theoretically outlined a number of different objectives of relationship marketing; and for each objectives certain figures seemingly become more important for marketers to follow than others (Table 9).

Table 9. Objectives of relationship marketing and figures for following the development of marketing programmes

Objectives of relationship marketing	Figure(s) for following the development of marketing programmes
To establish/attract, maintain/retain and enhance/develop buyer-seller relationships	Duration of buyer-seller relationships The retention rate of buyers The defection rate of buyers
To identify individual customers/customer segments and to create relationships with these individual customers/customer segments (that is, the marketing mix perspective)	Refer to <i>The Marketing Activities in Relationship Marketing</i> section
To use up-to-date knowledge of individual customers/customer segments in order to customise products and services	Refer to <i>The Marketing Activities in Relationship Marketing</i> section
To increase the business' share of its customers' total purchasing	Share of the particular product-market Share of customer's total purchasing among different product-markets
To create strong buyer-seller relationships in terms of trust, commitment, co-operation, adaptation and mutual benefits	Refer to <i>The Qualities of Strong Buyer-Seller Relationships</i> section
To establish relationships, networks and interactions with important markets	Refer to <i>The Marketing Activities in Relationship Marketing</i> section

The discussion on the objectives of relationship marketing has thus given birth to the following research issue:

Research Issue Four

What, if any, are the objectives of relationship marketing?

The Marketing Activities in Relationship Marketing

It has been argued in the paper that relationship marketing is playing an increasingly important role in the development of marketing theory (Patterson *et al.* 1998) but that there is little consistency in how the concept has been defined (e.g., Coviello 1998; Stewart and Colgate 1998; and Storbacka 1998). Overall, the lack of a common understanding of relationship marketing has resulted in a plethora of different approaches to interpret and operationalise relationship marketing. Indeed, Sheth and Parvatiyar (1995) and Snehota and Söderlund (1998) have argued that the scope of relationship marketing is wide enough to cover the entire spectrum of marketing's sub-disciplines; in addition, disciplines from other related areas, such as management, have been included as part of a relationship marketing

framework. Brodie *et al.* (1997) and Snehota and Söderlund (1998) are among the researchers who have sought to identify the different marketing activities that have often been used interchangeably with relationship marketing. The following discussion, which is partially based upon their work, examines the following marketing activities:

- Customising market communications.
- Customising products/partnering with customers.
- Listening to customers/caring for customers.
- Loyalty programmes.
- Marketing internally.
- Locking in the customers.
- Catch-all phrases.

Customising Market Communications

McKenna (1991) has argued that traditional mass media are no longer effective enough to deliver a message to the customer and that, as a result, marketing should be managed through personalised relationships. The developments in the information technology industry since the mid-1980s have made personalised marketing relationships possible. The phenomenon has been termed ‘one-to-one marketing’ (Newell 1997), ‘direct marketing’ (Blomqvist *et al.* 1993) and ‘database marketing’ (Bickert 1992); the terms are often synonymous with one another (Copulsky and Wolf 1990; Direct Response 1987; Fletcher *et al.* 1990; Jenkinson 1987; and Seaton 1988). The customisation of market communications has also been referred to as the ‘integrated marketing communications school’ (Raulas and Vepsäläinen 1994; and Schultz *et al.* 1993).

The two main approaches to personalised marketing relationships are as follows. Marketers customise market communications by sending the same message to a limited group of customers or marketers send different messages, such as personalised letters and telephone calls, to a limited group of customers (Blattberg and Deighton 1991; Peppers and Rogers 1995; and Snehota and Söderlund 1998). In this process, marketers gather and analyse individual customer data to profile each customer. It is doubtful, however, that this relatively simple marketing activity stresses strategic marketing imperatives, such as the

alignment of business processes with the customer's value chain, the development of an information technology infrastructure to support the processes and the building of organisational commitment to support the changes.

Customising Products/Partnering with Customers

It has often been noted that technology impacts on how businesses produce and market their goods and service (e.g., Cram 1994; Levitt 1983; McKenna 1991; and Pine 1993). Thus, Snehota and Söderlund (1998), Söderlund and Johansson (1997) and Toffler (1980) have argued that the fragmentation and heterogeneity of demand in terms of goods (e.g., PC vendors), services/non-goods (e.g., airlines) and communications (e.g., charge cards) is best matched by a corresponding fragmentation on the supply side. They have further argued that the mass customisation of goods and services for different customer segments has been facilitated by developments in flexible manufacturing technology and information technology. Often, the customisation of goods and services comes about through the collaboration between the manufacturer and the customer. Gordon (1998) has contended that the customisation of goods and services is necessary in relationship marketing. Examples of customised goods and services include individualised Levi's jeans, personalised children books, user-designed greeting cards as well as unique Buicks and Anne Klein women's business clothing (Gordon 1998; Peppers and Rogers 1995; Pine *et al.* 1995; and Rust *et al.* 1996).

It has not been seen as a requirement that end-customers are involved directly in the mass customisation of goods and services, as marketers gather and analyse data on end-customers. However, businesses must consider whether end-customers and third parties, such as channel intermediaries, should take part in the production. This is because other businesses may produce the necessary components or the primary creator of the product value may deliver the total customised solution. According to Brodie *et al.* (1997), a true interactive buyer-seller relationship implies a reasonably symmetric and dyadic relationship so that trust, promises, co-operation and personal interaction become important.

Listening to Customers/Caring for Customers

It has been argued that businesses should listen to their customers (Snehota and Söderlund 1998; and Peppers and Rogers 1995). To focus on individual customers it is often necessary to implement a database system for accumulating customer data. Such data systems include electronic data interchange as well as toll-free telephone numbers and customer hot lines (Gordon 1998; and Jones and Sasser 1995); they may also include retired employees interviewing customers who have defected from the business (Reichheld 1996). The practice of listening to customers then becomes similar to the intelligence gathering aspect of marketing (Kohli and Jaworski 1990).

Most studies suggest that customer satisfaction is necessary for retaining customers (e.g., Goderis 1998; Reichheld 1996; and Scheuing 1995) although this correlation has been questioned (Strauss and Neuhaus 1997). Several researchers have found evidence that customer satisfaction translates into higher customer retention (e.g., Anderson and Sullivan 1993; Bearden and Teel 1983; Bolton and Drew 1991; Boulding *et al.* 1993; Fornell 1992; La Barbera and Mazursky 1983; Oliver 1980; and Oliver and Swan 1989). According to Hooley *et al.* (1998), there are two main ways to exceed customer's expectations and, therefore, to create delighted customers: a business can provide an excellent service or, if that is not possible, a business can manage customer expectations downward so that customer expectations can be exceeded. It has also been suggested that in order to manage customer expectations a business must ensure that promises reflect reality; that a premium is placed on reliability; and that communication is kept with the customers (Berry and Parasuraman 1991).

It thus become key for businesses to care for their customers. For example, businesses may assure their customers that the benefits they derive from the goods and services are delivered reliably. Businesses may also send personalised messages to their customers between purchase occasions, such as greeting cards, newsletters and special reports (Rosenberg and Czepiel 1984; Snehota and Söderlund 1998; and Stone and Woodcock 1995). Although customer caring activities thus have the potential of being important, it is interesting to note that it is often difficult to measure the returns on such activities and to link the returns to the expenses of the activities (Peters and Waterman 1982).

Loyalty Programmes

Hammond and Ehrenberg (1995) have contended that there are two widely held beliefs about customer behaviour: first, in most product-markets there are segments of loyal customers and second, these segments of loyal customers are more profitable than segments of other customers. Loyal customers are also known as heavy buyers and frequent buyers. Many apparent virtues of loyalty programmes have been observed. For example, it has been argued that a business' revenues grow with its customers' repeat purchasing, and the costs of serving experienced customers decline because of increasing efficiency (e.g., Buttle 1996; Reichheld and Sasser 1990; and Rosenberg and Czepiel 1984). It has even been put forward that both job pride and job satisfaction are higher when customers are loyal and that this translates into employee retention (Reichheld 1993).

It must be noted, however, that many loyalty programmes originate from recent developments in information technology and that opportunistic customers may be more loyal to the technological loyalty incentive than to the supplier (Barnes 1994). Thus, although loyalty programmes have the potential generating revenues, such programmes can also add to a business' costs. This means that loyalty programmes, in fact, have the potential of putting a business at a cost disadvantage in a market where cost leadership is important. It has also been observed that often expensive loyalty programmes quickly become the business norm, such as frequent flyer programmes (Gilbert and Karabeyekian 1995; and Mowlana and Smith (1993). Uniquely, Gummesson (1997) has argued that loyal and, therefore, long-term, customers often require more complicated goods and services, which means that operating costs will increase rather than decrease.

Marketing Internally

The apparent importance of internal marketing has been emphasised by many researchers in recent years. The notion of internal marketing refers to the observation that every person within a business has a supplier and a customer and that all employees are attuned with the business's mission, strategy and goals (Christopher *et al.* 1991). Thus, Rudie and Wansley (1985) have suggested that in successful internal marketing programmes, internal and external customer awareness are first developed; that functional barriers to organisational

effectiveness then are removed; and that responsiveness, responsibility and unity of purpose finally are developed. Overall, Rudie and Wansley have contended that a business' results increase and that its employees' motivation and retention increase due to internal marketing programmes.

Locking-in the Customers

It has been argued that when a buyer-seller relationship lasts for an extended period, the amortised cost of the direct costs of turning the previous prospect into the current customer is relatively small. Furthermore, when transactions become routinised, the cost of serving a current customer is considerably less than that of a new customer since the business will have climbed the experience curve (Buttle 1996). This is why some business have sought to lock-in their customers by means of legal, economic, technological, geographical and/or time bonds (Liljander and Strandvik 1995). One case in point is the bank that increases its retention rate of customers through long-term mortgages with penalties for early closure (Perrien *et al.* 1992).

As will become apparent in *The Qualities of Strong Buyer-Seller Relationships* section, marketing relationships, which are based upon co-operation and collaboration as well as mutual dependence and sharing of risks, appear more likely to show stability and endurance in a turbulent business environment (Han *et al.* 1993). In contrast, a relationship in which a customer is locked or 'detained' is often not based on deep-seated affective feelings between the customer and supplier. Thus, when the environment for the bond changes the supplier is not able to sustain the relationship with his customers (Dick and Basu 1994).

Catch-all Phrases

A number of researchers have tried to incorporate almost every marketing discipline in relationship marketing. As mentioned earlier in the paper, in their definition on relationship marketing, Morgan and Hunt (1994) included all marketing activities that are needed for establishing, developing and maintaining successful relational exchanges. Relationship marketing, according to Brodie *et al.* (1997), thus becomes a catch-all phrase. Christopher

et al. (1991) argued that relationship marketing is integrating customer service, quality and marketing (Figure 12).

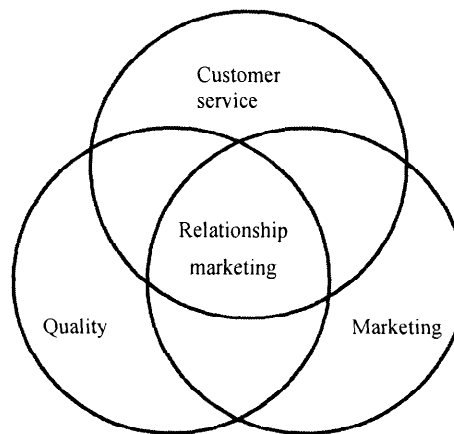


Figure 12. Relationship marketing: customer service, quality and marketing

Source: CHRISTOPHER, M., PAYNE, A. and BALLANTYNE, D. (1991), *Relationship Marketing: Bringing quality, customer service, and marketing together*, Butterworth-Heinemann, Oxford, p. 4.

Providing customer service, the marketer seeks to build bonds with customers and other important markets: the supplier markets, the employee markets, the internal markets, the referral markets and the 'influence' markets (Figure 10). In this process, the marketer must first understand what the customers buy and then determine how additional value can be added to the product or service. Customer service should be combined with quality management that is approached externally from the market. Quality management thus becomes market driven and the relationships between operations management and marketing management as well as the business and the customers are strengthened. The final element in this model of relationship marketing is marketing, which is concerned with the relationships between the business products and services, the customers' wants and needs and the marketing activities, such as the 4Ps.

In summary, relationship marketing has in the literature been seen as encompassing several different marketing activities, which are much different from each other. Thus, some relationship marketing programmes seek to customise products and market communications. Other programmes are more about customer caring and brand loyalty. A number of relationship marketing programmes even try to 'detain' the customers instead of

developing deep-seated affective feelings between the business and the customers. Yet many relational marketing programmes have incorporated almost every marketing discipline (Table 10).

Table 10. The marketing activities in relationship marketing

Customising market communications	The developments in the information technology have made personalised marketing relationships possible: one-to-one marketing, direct marketing and database marketing. Marketers customise market communications by sending the same message to a limited group of customers or marketers send different messages.
Customising products/partnering with customers	The fragmentation and heterogeneity of demand in terms of goods, services/non-goods and communications is best matched by a corresponding fragmentation on the supply side.
Listening to customers/caring for customers	In order to listen to their customers, businesses must implement a database system for accumulating customer data. Businesses may also seek to care for their customers and, thus, delight them. Businesses may achieve this by ensuring that promises reflect reality; that a premium is placed on reliability; and that communication is kept with the customers.
Loyalty programmes	In most product-markets, there are segments of loyal customers who are more profitable than segments of other customers. It has been observed, however, that opportunistic customers may be more loyal to the technological loyalty incentive than to the supplier.
Marketing internally	The notion of internal marketing refers to the observation that every person within a business has a supplier and a customer and that all employees should be attuned with the business's mission, strategy and goals.
Locking in the customers	Businesses try to lock-in their customers by means of legal, economic, technological, geographical and/or time bonds in order to reduce transaction costs. Buyer-seller relationships based upon a 'detained' buyer often do not show stability and endurance.
Catch-all phrases	At times, relationship marketing programmes try to incorporate almost every marketing discipline, such as customer service, quality and marketing.

The discussion has thus given birth to two additional research issues:

Research Issue Four

Are there identifiable activities that, if practised, can be presented as substantive evidence of the practice of relationship marketing itself?

Research Issue Five

Are there identifiable patterns in the way activities of relationship marketing are implemented and if so is there any evidence of modes of implementation that might be promoted as best practice?

It has been reported earlier in the paper that returns on a relationship marketing programme ought to be measured and then linked back to the expenses of the programme (see the *Listening to Customers/Caring for Customers* section). Although Gummesson (1997 and

1998a) has argued that marketers rarely do this, a number of methods for calculating the profitability of buyer-seller relationships have emerged (e.g., Gordon 1998; Reichheld 1996; and Storbacka 1993):

- The loyalty accounting matrix.
- The ladder of customer loyalty.
- Relationship duration, customer retention and customer defection.
- Share of customer.
- Intellectual capital.

The Loyalty Accounting Matrix

The 'loyalty accounting matrix' (Figure 13) seeks to calculate returns on a relationship marketing programme by measuring the customers' satisfaction with the business and their attraction to the business (e.g., Johansen and Montheleie 1996; Lindgreen and Crawford 1999b; and Plus Research for Marketing 1997).

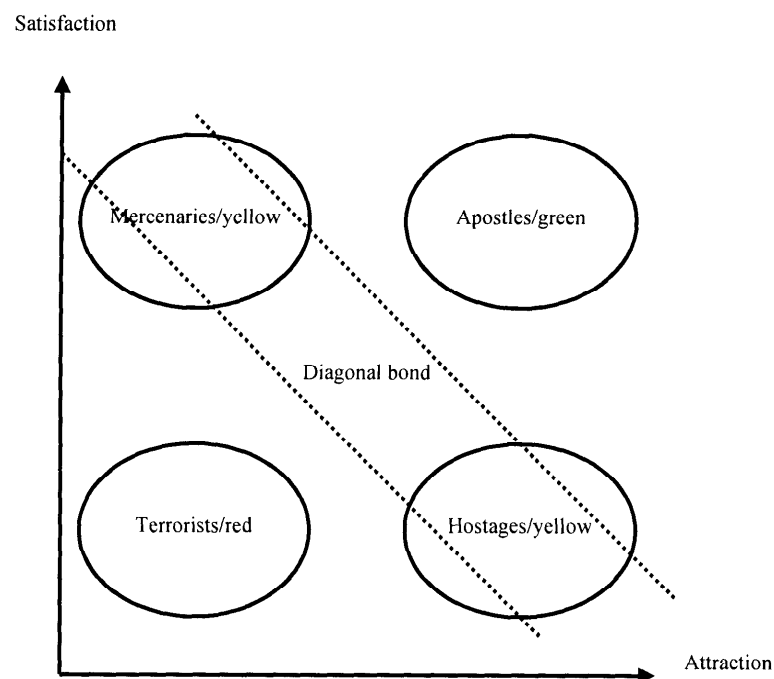


Figure 13. The loyalty accounting matrix

As illustrated in the figure, customers can be categorised as apostles, mercenaries, hostages or terrorists. Using a colour scheme is another way of categorising customers: green customers, yellow customers or red customers.

Overall, apostles are more satisfied with the business and more attracted to the business than other customer segments. Apostles are often the best promotion and distribution channels for a business and also their contact to other customers is valuable.

In contrast, terrorists are disappointed in their relationship with the business and find other businesses more attractive. Such customers involve high costs for a business: terrorists are strongly deal-oriented, and the business has to implement aggressive and expensive price selling marketing programmes. Thus, because terrorists usually move their purchasing around to businesses of lower priced products, they are often actively searching for a new business to deal with.

The diagonal in the loyalty accounting matrix represents mercenaries and hostages. Both customer segments have the potential of turning into apostles although they have been noted to be easy 'prey' for business competitors. Although mercenaries are satisfied with the business, they are not particularly attracted to the business. In contrast, hostages are dissatisfied customers but they do not have the opportunity to change their to another business.

The loyalty accounting matrix is an excellent theoretical framework for communicating the basic idea that it may be possible for a business to differentiate between its customers. That is, some customers are more satisfied with the business and more attracted to the business than other customers. On a practical level, however, is it possible to differentiate between customers? For example, are customers really totally attracted to a business instead of only partially attracted?

It is also important to note that returns on relationship marketing may not be well correlated to customers' satisfaction with the business and their attraction to the business. Gummesson (1997) has thus reported that less profitable customers are often more satisfied than profitable customers who are less satisfied. Indeed, very satisfied customers have been found to have a retention rate almost three times higher than what satisfied customers have. Gummesson provided no information, though, on how to define 'satisfied customers' and 'less satisfied customers'.

Moreover, it has been disputed that satisfied customers are loyal customers. Thus, although repurchase rates remain in the 30-40 per cent range in the automobile industry, more than 90 per cent of the customers report that they are satisfied or very satisfied with their latest purchase (Jones and Sasser 1995; Reichheld 1996; and Stewart 1997).

If relationship marketing is about trust, commitment, co-operation and adaptation (see *The Qualities of Strong Buyer-Seller Relationships* section) then the terminology of apostles, terrorists, mercenaries and hostages may be unfortunate as it suggests a marketing approach based upon power, conflict and control. The terminology may be detrimental for the development of strong buyer-seller relationships.

Finally, what are the movements of the four customer segments? For example, do segments cross the diagonal bond? Are some customers by nature terrorists or apostles? Is it more common that apostles become terrorists than terrorists turn apostles?

The Ladder of Customer Loyalty

It has been noted that there are often distinctive stages in the development of long-term buyer-seller relationships (e.g., Dwyer *et al.* 1987; Palmer and Bejou 1994; and Wilson 1995). The 'ladder of customer loyalty' (Figure 14) tries to identify these stages.

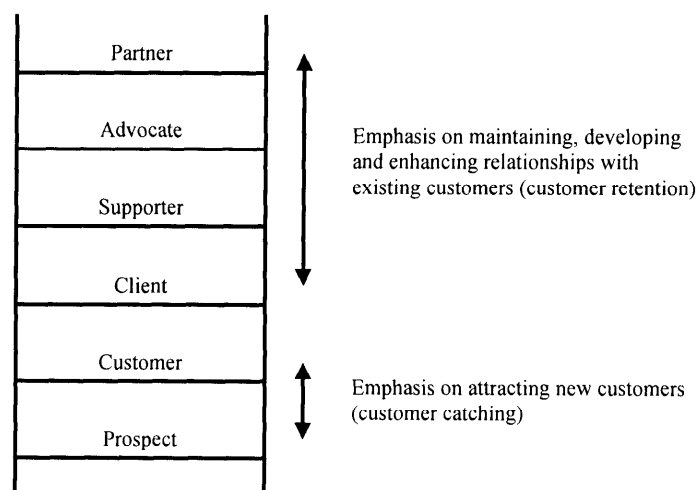


Figure 14. The ladder of customer loyalty

Source: CHRISTOPHER, M., PAYNE, A. and BALLANTYNE, D. (1991), *Relationship Marketing: Bringing quality, customer service, and marketing together*, Butterworth-Heinemann, Oxford, p. 22.

Christopher and his colleagues (Christopher *et al.* 1991; and Payne *et al.* 1995) have argued that transaction marketing targets prospective customers and the first-time customer. In contrast, relationship marketing is also about strengthening the relationship to the customer who moves from being first a client, then a supporter and advocate and finally a partner.

Although the 'ladder of customer loyalty' is a relatively simple framework, Christopher and his colleagues have not elaborated on a number of critical issues. For example, how is it determined to which segment a particular customer belongs? What, if any, are the typical movements of customers: up the ladder, down the ladder or a continuous moving up and down the ladder? Should relationship marketing programmes be designed to the different segments (that is, clients, supporters, advocates and partners) or should they try and incorporate the needs and wants of all these different segments in one programme only?

Relationship Duration, Customer Retention and Customer Defection

The *To Establish/Attract, Maintain/Retain and Enhance/Develop Buyer-Seller Relationships* section has already discussed the three measurements of relationship duration, customer retention and customer defection. The basic idea is that businesses – with their relationship marketing programmes - seek not only to attract but also to maintain and enhance relationships to their customers.

Share of Customer

The *To Establish/Attract, Maintain/Retain and Enhance/Develop Buyer-Seller Relationships* section has already discussed the measurement of share of the customer. The basic idea is that businesses try to capture a larger share of their customers' overall purchasing. That is, businesses will seek to offer other product-markets to their customers than what they are currently providing.

Intellectual Capital

Gummesson (1997) has argued that capital other than financial capital is increasingly becoming important. He introduced the term 'intellectual capital' as the total value of a

business (that is, the price of its shares) less its book value, which is the sum of individual capital and structural capital. Individual capital consists of the employees and their knowledge, behaviour, motivation, relationships and networks. Structural capital is embedded knowledge that is inseparable from the business, such as relationships that are tied to culture, systems, contracts, image and the network to which the business belongs. However, Kaplan and Norton (1996) have found that most accounting systems are currently not adequate for measuring intellectual capital. Several researchers and businesses have sought to develop indicators of intellectual capital. For example, Gummesson (1998a) reported on a Swedish business, Skandia, which employs a list of 111 indicators in its accounting systems and holds a reserve of 55 other indicators. The indicators focus on the customer, the employees or the customers and the electronic relationship (Table 11).

Table 11. Financial and intellectual indicators in accounting systems

Focus	Indicators
The customer	Annual sales per customer
	Customers lost
	Average duration of customer relationships
	Rate of repeat customers
	Average customer purchases per year
	Average contacts by customer per year
	Points of sale
	Customer visits to company
	Days spent visiting customers
	Customer satisfaction index
The employees (with consequences for customer relationships)	Motivation index
	Empowerment index
	Employee turnover
	Average years of service with company
The customers and the electronic relationship	IT investment per customer
	IT investment per service
	Support level
	Number of internal IT customers
	Number of external IT customers
	IT literacy of customers

Source: GUMMESSON, E. (1998b), "Total relationship marketing: experimenting with a synthesis of research frontiers", invited paper for *International Colloquium in Relationship Marketing*, 7-8 December, University of Auckland, Auckland.

It is interesting to observe that only 20 of the indicators are financially orientated; the remaining indicators are intellectually orientated (see Skandia 1996 and 1997; and Edvinsson and Malone 1997). Other indicators include availability on the telephone, ratio between cost for business development and total cost, number of ideas for improvements and revenue from new services. Another example is Gordon (1998) who put forward a list of several measurements for calculating the returns on a programme of relationship marketing (Table 12).

Table 12. Measurements for calculating the returns on relationship marketing programmes

Revenues and costs by customer. Analysis of trends, including those of cost to serve.
Acquisition costs of new customers.
Retention rates of current customers.
Revenues and profitability for current customers versus revenues and profitability from new customers.
Revenues by purchasing unit within the company.
Share of customer for products and services now made.
Share of customer based on their expenditures (defined more broadly, including those products and services the firm could supply even though it may not make them).
Competitors' shares of core customers' business.
The value that core customers derive from the firm.
Progression along the bonding continuum using a combination of value and other factors (such as share of customer and share of future, appropriately weighted).
Share of future comprising the share of customer business expected to derive based on current positioning in terms of the customers' strategic initiatives or demand trends.
Frequency and cost of communications needed to advance customers along the purchase cycle by type of media.
Share of revenues represented by core versus non-core customers.
Number of issues arising at the board of governors, and time to resolution.
Relationship management measurements established in accordance with the benefits customers seek from the firm.

Source: GORDON, I. (1998), Relationship Marketing: New Strategies, Techniques and Technologies to Win the Customers You Want and Keep Them Forever, John Wiley & Sons, Toronto.

In relationship marketing, a number of different measurements have thus been suggested for calculating the returns on programmes of relationship marketing. But do real-life marketers use all these measurements? More importantly, perhaps, is how marketers can employ the measurements. For example, it may be necessary to find the customer retention rate but how does a business define a 'retained customer'? Suppose that the customer can purchase with supplier A and supplier B and that one customers' ten most recent purchases look like the following: A, A, A, A, A, B, B, B, B and B as the latest purchase. The purchasing pattern of another customer is different: A, B, A, B, A, B, A, B, A, and B as the

latest purchase. Are both customers retained customers with supplier B or is only the first customer retained with supplier B?

It is interesting to investigate how businesses in real life have approach the calculation of returns on relationship marketing programmes. The discussion has thus given birth to two additional research issues:

Research Issue Six

How, if at all, are programmes of relationship marketing monitored?

Research Issue Seven

In what way(s), if at all, might returns on relationship marketing be measured?

The Qualities of Strong Buyer-Seller Relationships

As has already been discussed elsewhere in the paper, relational models of business relationships are built around not only the buyer-seller (that is, the dyadic relationship) but also around interactions and networks that the business is part of. Thus, the paper reported on the 'six markets model' (Christopher *et al.* 1991; and Payne *et al.* 1995) as well as Gummeson (1999) who has argued that there are thirty different market relationships that a business should focus on. Overall, in order to provide the best value proposition any business needs to direct its marketing activities and formulate its marketing plans to these different markets according to these relational models of business relationships. This means that the relationships between a business and its many markets become key.

It has been noted (e.g., Young and Wilkinson 1989) that the emphasis in the marketing literature has been on sick relationships rather than on healthy relationships. For example, the industrial marketing literature and the marketing channels literature focus on power, conflict and control (e.g., O'Neal 1989; Rosenbloom 1991; and Stern and El-Ansary 1992). The concept of supply-chain management, however, produced a more harmonious view of relationships. Moreover, advocates of relationship marketing have argued that the adversarial and confrontational model of buyer-seller relationships needs to be replaced with a co-operative model of buyer-seller relationships (e.g., Aigrøy 1999a, 1999b; Davies 1996; Lehmann 1997; and Lewin and Johnston 1997).

Overall, it has been suggested that the language in the literature on relationship marketing has imposed tunnel vision and that 'marketing' should be banished from our relationship vocabulary and replaced with 'management' and 'managing relationships' (Collins 1999). Carlell and Mägi (1999) have argued that there is a lack of clarity what is understood by the term 'relationship', and Blois (1999) has found that relationship is too general to provide useful insights with regard to the many different relationships that exist between buyers and sellers. Thus, the usage of the term relationship ranges from repeat purchase behaviour (Alberius-Krenk and Skat-Rørdam 1998; Reichheld 1996; and Rosenberg and Czepiel 1984) to involvement based upon trust and commitment, among other characteristics (e.g., Ganesan 1994; Geyskens *et al.* 1996; Kumar *et al.* 1994; Mohr and Spekman 1994; and Morgan and Hunt 1994).

If relationship is seen as repeat purchase behaviour then the paper argues that the term should be stricken from the marketing literature because it only leads to confusion the reason being that the majority of consumers have evoked a preferred set of products and services. But if relationship is seen as more than repeat purchase behaviour then it becomes important to define what constitutes strong buyer-seller relationships, so-called qualities of relationships.

Some of the more robust models on the nature of relationship marketing, which have appeared in the literature, attempt to provide insight into the qualities of strong buyer-seller relationships (e.g., Anderson and Narus 1990; Dwyer *et al.* 1987; Mohr and Spekman 1994; and Morgan and Hunt 1994). Fontenot and Wilson (1997) have reviewed the models and found that ten variables typically were included to characterise a relationship (Table 13).

Co-operation

Co-operation allows the buyer and seller to have their own goals that must be compatible, however, which means that the two parties have to give up some autonomy in favour of mutual success (Morgan and Hunt 1994). Examples of co-operative activities include joint planning, collaboration, dealer promotion and sales force activities.

Interdependence

Interdependence is the belief that co-operating and forming of cohesive bonds are necessary in order to be part of a mutually beneficial exchange relationship (Fontenot and Wilson 1997). Examples of interdependence include suppliers offering custom-configured shipments, special packaging and unique manufacturing specifications to their distributors.

Commitment

Commitment is the willingness of the parties to extend efforts and resources for the continuation of the relationship without engaging in opportunistic behaviour (Fontenot and Wilson 1997). Examples of commitment include the development of new joint product or service programmes.

Trust

Trust is when one party believes that the performance of the other party will result in positive outcomes and that the party will not engage in opportunistic behaviour (Anderson and Narus 1990). Examples of trust include keeping prices at the same level or not changing payment terms when marketing conditions change to the worse.

Opportunistic Behaviours

A party is acting opportunistically when he seeks short-term alternatives in favour of expected long-term benefits (Morgan and Hunt 1994). An example of opportunistic behaviour is the pricing policy of a firm.

Communication

The two parties negotiate by means of communication in order to reach a position in which they achieve benefits greater than the burden and obligation to remain a party to the relationship (Dwyer *et al.* 1987). Examples of communication include the exchange and sharing of information and the openness between parties in these processes.

Conflict

Because conflict is inevitable, self-regulation becomes key. Conflict may be either functional or dysfunctional (Spekman and Sawhney 1990). Examples of conflict include legal contracts, self-regulations, annual performance reviews and sales force activities (functional).

Power

Power, which is the ability of one party to influence the decisions or actions of the other party, can come as a reward or as a punishment (Fontenot and Wilson 1997; and Thorelli 1986). Examples of power include favourable extension of pricing terms, trade discounts, sharing of customer lists and sales volume incentives through dealer promotions (power as reward). Other examples are discontinuation of trade discounts and unfavourable pricing (power as punishment).

Shared values

Shared values are when the parties have common beliefs with regards to their behaviours, goals and policies (Morgan and Hunt 1994). Examples of shared values include the levels, modes and frequency through which information is exchanged

Relationship Outcome

The parties want to continue a relationship when it meets their expectations. That is, when the relationship outcome is higher than that of alternative relationships (Anderson and Narus 1990). Examples of relationship outcome include joint performance reviews of the sales teams and joint customer lead development.

Table 13. Variables that define buyer-seller relationships

Construct	Reference
Trust, dependence, satisfaction, commitment	Andaleeb (1996)
Co-operation, interdependence, trust, power (influence), conflict (functional and dysfunctional), communication, relationship outcome, satisfaction	Anderson and Narus (1990)
Trust, power, imbalance, communication, stakes, reputation for fairness, age of the relationship, sales support, goal congruence, cultural similarity, perceived competence, pledges (idiosyncratic investments, contractual terms), conflict history	Anderson and Weitz (1989 and 1992)
Concern, trust, commitment, service	Buttle (1996)
Interdependence, commitment, trust (expectations), power, conflict (functional and dysfunctional), communication, relationship outcome (expectations), relationship benefits (attraction), shared values, satisfaction, propensity to leave	Dwyer <i>et al.</i> (1987)
Co-operation (programmes, dealer promotion, sales force activities, marketing planning), interdependence (manufacturing), commitment (programmes), trust (pricing), opportunistic behaviour (pricing), power (pricing, dealer promotion), functional conflict (performance reviews, sales force activities), communication (communication, information exchange), relationship outcome (sales force activities), relationship benefits (advertising, logistics), shared values (information exchange)	Fontenot and Wilson (1997)
Trust, reputation, satisfaction, comparison level	Ganesan (1994)
Trust, total interdependence, interdependence asymmetry, commitment	Geyskens <i>et al.</i> (1996)
Culture and values, leadership, strategy, structure, people, technology, knowledge and insight, process	Gordon (1998)
Collaboration; commitment, dependence and importance; trust, risk and uncertainty; power; longevity; frequency, regularity and intensity; closeness and remoteness; formality, informality and openness; routinization, content; personal and social properties	Gummesson (1999)
Commitment, intention to stay, desire to stay, willingness to invest, lack of search for alternatives, performance	Kumar <i>et al.</i> (1994)
Co-operation, interdependence, commitment, trust, conflict resolution, information sharing, dyadic sales, satisfaction	Mohr and Spekman (1994)
Co-operation, commitment, trust, opportunistic behaviour, power, conflict (functional and dysfunctional), relationship termination costs, relationship benefits, shared values, acquiescence, propensity to leave, uncertainty	Morgan and Hunt (1994)

Patterson *et al.* (1998) have noted that trust has been included in numerous relationship studies conducted both in domestic settings (e.g., Anderson and Weitz 1989; Anderson and Narus 1990; Lewin and Johnston 1997; and Morgan and Hunt 1994) and international settings (Aulakh *et al.* 1996; Freytag and Nielsen 1990; Johnson *et al.* 1996; Larson 1992; Patterson *et al.* 1998). The following section will, therefore, more critically examine trust.

Many authors have attempted to define trust (Anderson and Narus 1990; Bagozzi 1974; Ganesan 1994; Geyskens and Steenkamp 1995; Gulati 1995; Moorman *et al.* 1992; Ring and Van de Ven 1994; and Shapiro 1987). Generally speaking, trust has been defined as the “willingness to rely on an exchange partner in whom one has confidence” (Lewin and Johnston 1997: 28; see also Deutsch 1960; Mayer *et al.* 1995; and Moorman *et al.* 1992). In other words, a partner, who trusts another partner, has confidence in that partner (that is,

benevolence trust) and relies on that partner as an exchange partner (that is, credibility trust). Trust is seen as central to successful relationships leading to higher levels of loyalty to the bargaining partner and thus to increased profitability because trust encourages partners to co-operate, seek long-term benefits and refrain from opportunistic behaviour (Anderson and Narus 1990; Anderson and Weitz 1992; Geyskens and Steenkamp 1995; and Morgan and Hunt 1994). Honesty, safety, credibility and previous experience are among several dimensions of trust that have been cited (Egan and Greenley 1998).

Sako (1992) has distinguished between three types of trust: contractual trust, competence trust and goodwill trust, and Patterson *et al.* (1998) have provided some empirical evidence that supports this framework. Although a number of studies have argued that trust emerges from factors specific to the buyer-seller interaction, this observation has been questioned by other researchers. Thus, Johnson and Grayson (1999) have recently proposed four types of trust, some of which emerge from non-specific buyer-seller interaction factors.

Generalised Trust

Generalised trust is dictated by general shared norms of behaviour and enforced by social mechanisms, such as peer pressure and threat of ostracism. People operate under an assumption of generalised trust until they are given reason to do otherwise, and so greater generalised trust fosters willingness to do business together.

System Trust

System trust is written down in rules and controlled by legislative and regulatory institutions, such as trade commissions and health departments. People base their trust upon these written rules and how effective the legislative and regulatory institutions are in enforcing the rules.

Process-based Trust

Process-based trust is developed through repeated interactions between two partners and thus depends on the behaviour of each partner and the history of interactions among the

partners. It appears that trust is built through ‘spiral re-enforcement’. That is, process-based trust moves from being fragile to being resilient.

Personality-based Trust

Personality-based trust is determined by individuals’ personality traits and tells how willing an individual is to trust a partner. This type of trust is especially important in the initial stage of a relationship when circumstances are ambiguous and specific interaction-based clues are not available.

The authors provided no empirical evidence to support their proposal, though. If trust is key to successful relationships and thus a valuable strategic variable, marketers should appreciate that there may be different types of trust when they examine the influence of trust on their business. In this regard it is important to understand that trust is a process that changes over time and that it thus may be initiated and enhanced by the marketer (Phan *et al.* 1999). But what happens when buyers question the intentions and motives of the suppliers and/or ask whether the suppliers can perform reliably? The present research seeks to test three propositions:

- There are different types of trust.
- Each type of trust is a valuable strategic variable.
- When one type of trust is not available it is necessary to draw on other types.

The conceptualisation of relationships has thus been the focus for a number of articles (Andaleeb 1996; Anderson and Narus 1990; Anderson and Weitz 1989, 1992; Dwyer *et al.* 1987; Fontenot and Wilson 1997; Ganesan 1994; Geyskens *et al.* 1996; Gummesson 1999; Kumar *et al.* 1994; Mohr and Spekman 1994; and Morgan and Hunt 1994). But only one study has identified indicators of relationship quality. The study defines relationship quality in the following way:

“[Relationship quality is] a consumer’s *affective* and *cognitive* evaluation of the *quality* of expected *future* interactions with a firm, and indicating the degree to which they *want* to deal with the firm and help the firm achieve its goals.” (Roberts 1998: 31)

Roberts developed a framework of what constitutes marketing relationships of high quality; the framework consists of six constructs: trust in credibility, trust in benevolence, affective commitment, affective conflict, satisfaction and social bonding.

Trust in Credibility

“Trust in a firm’s credibility is based on the extent to which the customer believes that the firm’s word can be relied upon, that [the firm is] sincere, and that [the firm] will perform [its] role effectively and reliably.” (Roberts 1998: 44)

Trust in Benevolence

“Trust in a firm’s benevolence is [based on the extent to which the customer perceives] the firm is concerned [with his] welfare. This includes having intentions and motives beneficial to the customer when new conditions arise for which a commitment was not made, and avoiding acting in a way that will result in negative outcomes for the customer.” (Roberts 1998: 44)

Affective Commitment

“Affective commitment is ... an affective attachment to the organisation [meaning that] affective commitment influences the degree to which the consumer wants to maintain a relationship with the firm.” (Roberts 1998: 49)

Affective Conflict

“Conflict ... is the tension between two or more social entities that arises from the incompatibility of actual and desired responses. Affective conflict is defined as hostility, frustration and anger towards a partner. This can develop into manifest conflict, which involves behavioural responses, such as open expression of disagreement or overt attempts to block the other’s goal attainment.” (Roberts 1998: 51)

Satisfaction

“Satisfaction is the customer’s cognitive and affective evaluation based on [his] personal experience across all service episodes within the relationship.” (Roberts 1998: 46)

Social Bonding

“Social [bonding is] present to the degree that the [customer] is recognised by and enjoys interacting with [his] service provider. Higher levels of social bonding will resemble friendship.” (Roberts 1998: 56)

Research Issue Eight

What, if any, are the characteristics of strong buyer-seller relationships?

Research Issue Nine

Is it possible to provide empirical evidence for the six indicators of relationship quality that Roberts (1998) has put forward?

Methodology

The structure of this section is as follows. First, the contextual setting for the research project is described, and the research issues that the project endeavours to answer are put forward. Then the research methodology is dealt with but only briefly as it has been discussed in an earlier paper (Lindgreen and Crawford 1999a). The discussion on the limitations of the research project brings the section to an end.

Contextual Setting

Agribusiness and the food industry have traditionally embraced transaction marketing and supply chain management (e.g., Barkema 1992; Barry *et al.* 1992; Kalfass 1993; and Sporleder 1992). However, the marketing environment of the international food industry has been greatly transformed during the last decades, and the changes have had deep implications for agribusiness and the food industry. Overall, the changes have encouraged the development of both horizontal links and vertical links. The horizontal links have been between retailers, between manufacturers and between farmers. The vertical links have developed throughout the food supply chain.

Horizontal Links Between Retailers

Horizontal links between European food retailers have been of four major types: development-led alliances, purchasing-led alliances, skills-based alliances and multi-function alliances. A development-led alliances forms when two retailers jointly exploit retail development opportunities. A purchasing-led alliance is created when retailers seek to enhance the purchasing power of the participants and to develop new product sourcing opportunities. A skills-based alliance is based upon the exchange of information and knowledge between the partners. The Associated Marketing Services has been the only

major alliance to be categorised as a multi-function alliance; it has identified several areas of opportunity.

Horizontal Links Between Manufacturers

In order to gain access to a market, to exploit complementary technology and to reduce the time taken for innovation, horizontal links have been formed between manufacturers in Europe. Thus, horizontal links are usually based on distribution agreements, cross-shareholdings, product franchising, licensing agreements, research co-operation, new product development, joint advertising, joint marketing campaigns and the development of shared manufacturing facilities.

Horizontal Links Between Farmers

Co-operatives in the farm sector have played, and are still playing, an important role in the purchasing of farm inputs and the marketing of farm outputs; for example, in Denmark almost all of the pork meat (98 per cent) is marketed through co-operatives.

Vertical Links Throughout the Food Supply Chain

In recent years, vertical links have been formed throughout the food supply chain. There are several reasons that explain this trend: retailers increase their competitiveness; manufacturers maintain their strength relative to the powerful retailers; and farmers achieve a preferred supplier status.

International Exporter-Importer Relationships

The discussion so far has shown that both horizontal links and vertical links are being created in the food supply chain because of changes in the marketing environment. However, relationships between partners from different countries are increasingly forming closer ties (e.g., Ellram 1992; Grønnegaard 1998; Lewin and Johnston 1997; and Morris and Hergert 1987). It is, therefore, surprising that such international exporter-importer relationships have still not been fully investigated:

“However, we have scant knowledge of how culture impacts the development of relationships across national boundaries and ultimately international business performance” (Patterson *et al.* 1998: 24).

Indeed, only a few studies (e.g., Ahmed *et al.* 1998; Aulakh *et al.* 1996; Cavusgil and Zou 1994; Freytag 1991; Freytag and Nielsen 1990; Madsen 1987; and Styles and Ambler 1996) have empirically examined the role and nature of these international relationships. There is thus an evident need for projects that seek to add empirical evidence and to build theory to those few studies.

Relationship marketing has not previously been tested in the context of the Danish-British and New Zealand-British food supply chains although the context is suitable for a research project on international exporter-importer relationships. Britain thus imports products from sectors where it does not have an inherent competitive disadvantage. The reason has been said to be more associated with strong relationships between the foreign food exporter and his British importer than with efficiency of production (Shaw 1994; and Woolven 1996). Denmark and New Zealand have also traditionally been among the major food producers and exporters for the British consumer (Shaw 1994; and Woolven 1996). Denmark and New Zealand have many similar trading patterns but their marketing philosophy and way of conducting business may differ from each other (Coviello *et al.* 1998; and Rasmussen 1998). The similarities (e.g., between Danish food producers) and the differences (e.g., between Danish and New Zealand food exporters) would allow for a robust case study design.

The Danish-British Food Supply Chain

Total agricultural exports in Denmark are valued at almost DKK 100 billion per annum, which is equal to over 30 per cent of the country's total export earnings. Meat and dairy products are among the most important exports. Since the end of the 19th century, Britain has been one of the major markets for Danish foodstuffs (Danske Slagterier 1998; and Tansey and Worsley 1995). At DKK 25 billion per annum, pig meat exports equate to about 8 per cent of Denmark's total export earnings. About 80 per cent of Danish pig meat are exported with two-thirds going to EU countries (Boon 1998; and Danske Slagterier 1998). In terms of value, nearly 19 per cent of total pig meat exports and about 90 per cent

of total bacon exports are for the British market (Andersen 1998; and Danske Slagterier 1998). 73 per cent of the Danish milk production and 85 per cent of the Danish cheese exports are controlled by MD Foods, the fourth largest dairy company in Europe. Almost 70 per cent of the company's foreign trade are created in EU countries, with Germany and Britain among the major markets. The British market is the single largest market for MD Foods' butter, and an increasingly important market for its cheese products. Moreover, the company is the third largest milk producer in Britain (MD Foods 1997 and 1998).

It is surprising that the Danish pork and pig meat industry is so competitive that it accounts for between 20 and 30 per cent of global pork and pig meat trade. Thus, in terms of conventional production and processing cost measures, the Danish pork and pig meat industry would appear less competitive than its international competitors (Hobbs *et al.* 1998):

- Land in Denmark is relatively scarce and high priced.
- The Danish pork and pig meat industry faces strict regulations, such as regulations limiting farm size for environmental reasons.
- Pork industries in Canada and the USA have the advantage of comparatively lower feed costs; feed costs in Denmark has been inflated as a result of the EU's Common Agricultural Policy protection of EU cereal markets.
- Labour costs in the Danish pork and pig meat industry are high.
- Meat-processing plants in Denmark tend to have high capital equipment costs because of highly automated within-plant logistics.
- Unit costs for meat-processing plants are high as a result of slow processing line speeds.

The reason has been said to be associated with co-ordination and co-operation between players in the supply chain (Hobbs *et al.* 1998).

The New Zealand-British Food Supply Chain

Agricultural produce of NZ\$ 9.7 billion makes up more than half of New Zealand's merchandise exports, or some 60 per cent in 1996. The agricultural sector contributes about 15 per cent to New Zealand's gross domestic product. Although pastoral farming is the

major land use, the export of horticultural products generates NZ\$ 1.08 billion (Department of Statistics 1992; Market and Industry Services Branch 1997; and Zwartz 1998). In 1998, the export of wines was worth NZ\$ 97.6 million, or 9 per cent of total horticultural exports. Although international market conditions are more competitive than ever, wine production increased by 50 per cent. The British market is the single biggest export market. In the decade from 1988 to 1998, exports increased more than 650 per cent by volume so that this market now generates over 50 per cent of the total wine export revenues (National Liquor Distributors Ltd 1998; and Wine Institute of New Zealand 1998). The increase in exports is somewhat remarkable. New Zealand has long been guaranteed unrestricted access to the British export market for its agricultural commodities but when Britain joined the European Community, New Zealand exporters were forced to look for alternative markets (Ministry of Agriculture and Fishery 1993; and Zwartz 1998). Moreover, New Zealand wineries compete with subsidised production from other producing countries (Wine Institute of New Zealand 1998).

Research Issues

The research issues that the research project seeks to address are as follows.

Research Issue One

Is it possible to provide empirical evidence that the approach to contemporary marketing is pluralistic in nature? Phrased differently, is it possible to provide empirical evidence that transaction marketing is still relevant and that businesses practice it concurrently with various types of relationship marketing within the same industry?

Research Issue Two

Is it possible to provide empirical evidence that gives evidence to the buyer-seller exchange situation model that takes the marketing orientation of both the buyer and the seller into consideration?

Research Issue Three

What, if any, are the objectives of relationship marketing?

Research Issue Four

Are there identifiable activities that, if practised, can be presented as substantive evidence of the practice of relationship marketing itself?

Research Issue Five

Are there identifiable patterns in the way activities of relationship marketing are implemented and if so is there any evidence of modes of implementation that might be promoted as best practice?

Research Issue Six

How, if at all, are programmes of relationship marketing monitored?

Research Issue Seven

In what way(s), if at all, might returns on relationship marketing be measured?

Research Issue Eight

What, if any, are the characteristics of strong buyer-seller relationships?

Research Issue Nine

Is it possible to provide empirical evidence for the six indicators of relationship quality that Roberts (1998) has put forward?

Research Methodology

For probing into the research questions and for developing a framework for understanding relationship marketing, the case study method was considered the most suitable strategy. For example, the case study method is in line with studies by the 'Industrial Marketing and Purchasing Group' on buyer-seller relationships. According to Easton (1995), the case study method has been appropriate for these studies because of the match between the case study method and the kinds of situations that have been of interest. There is also strong epistemological justification for using the case study method when the aim is to gain an understanding of real-life contexts that are complex and dynamic; this has been the case with respect to buyer-seller relationships. It was, therefore, decided that relationship marketing should be investigated within its real-life context. But this allowed little opportunity of simplifying matters by excluding some variables whilst controlling and manipulating others. The case study method facilitated the exploration of complex social processes, however, by taking a holistic perspective on real-life events with all of their potentially rich and meaningful characteristics intact. Uniquely, the case study method avoided the need to pre-select the context-type variables to be included in the investigations. Instead, the author observed the important contextual variables impinging on the behaviour of interest, over a period of time (Neuman 1997; Punch 1998; and Yin 1994). The main steps in developing theory from case research data are outlined in Figure 14.

Since the paper by Lindgreen and Crawford (1999b) has dealt with each step in much more detail, the present paper will not discuss the research methodology in any further detail.

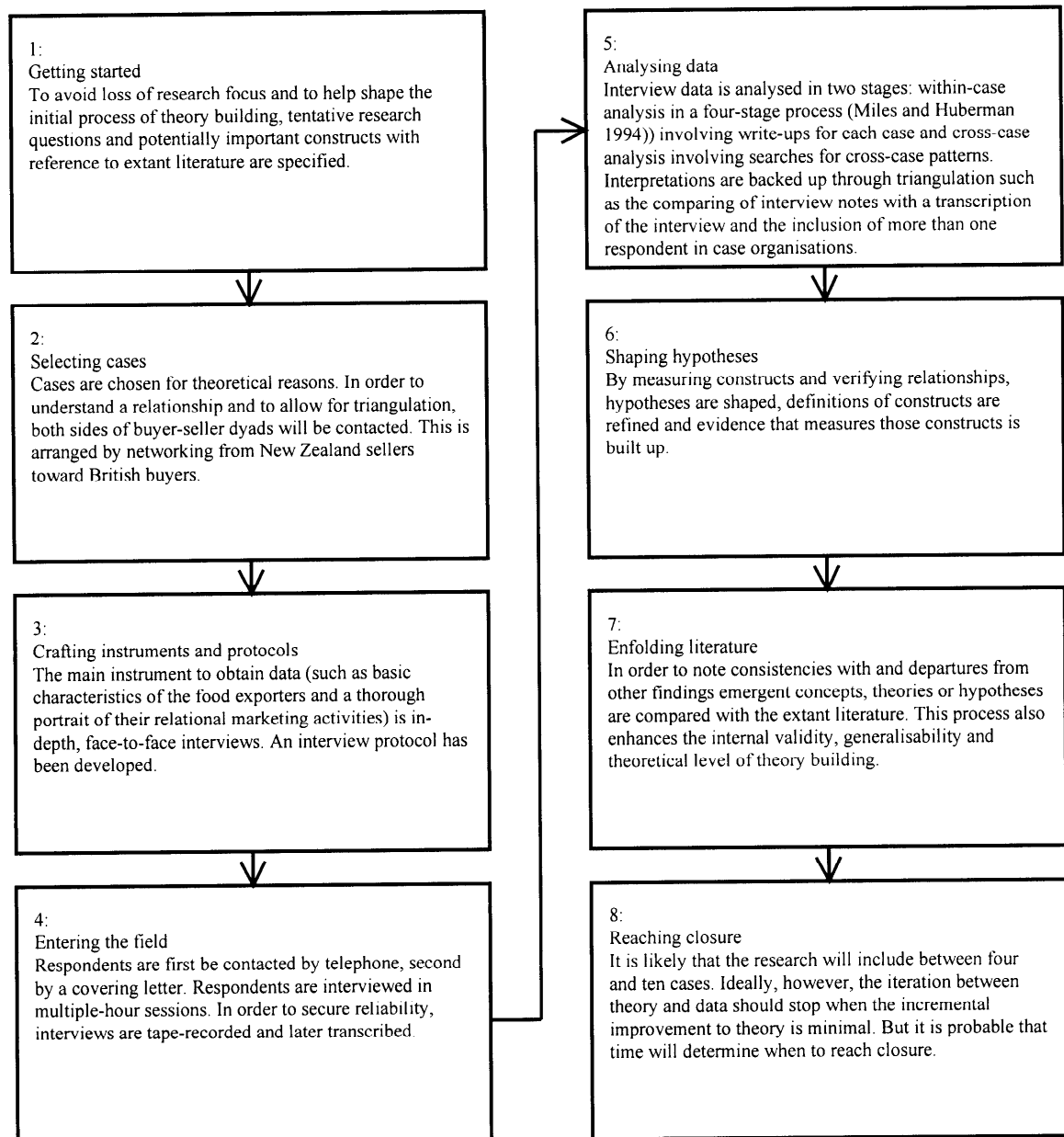


Figure 14. Steps in developing theory from case research data

Anticipated Contributions

Relationship marketing has received widespread attention but although the literature on relationship marketing is already large and continuously expanding the concept still remains nebulous (e.g., Blois 1995; Carroll 1991-1992; Fontenot and Wilson 1997; Fournier *et al.* 1998; and Gummesson 1994a). Thus, Collins writes:

“Relationship marketing history has been characterised by rhetoric rather than publication effort... After fifteen years, the new relationship marketing paradigm is still without clear empirical support.” (Collins 1999, p. 3 and p. 4)

There is no consensus as to a definition of relationship marketing, and there are many different views on the objectives of relationship marketing, the marketing activities in relationship marketing and the qualities of strong buyer-seller relationships. This has resulted in the observation that there are no theories, even guidelines, to direct practitioners because the different approaches provide only partial theories of the phenomenon of relationship marketing. In an effort to better understand relationship marketing, the present research project has put on the ‘relationship eye-glasses’ (Gummesson 1998b) in order to study a number of relationship marketing programmes in the international food and wine supply chains.

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