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**RELATIONSHIP MARKETING IN MARKETING THEORY AND PRACTICE**

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**ABSTRACT:** There is much debate as to where the place of relationship marketing (RM) in general marketing theory is, its domain, the way it should be defined and so on. This paper addresses two problems concerning the status of RM, with reference to previous research and the commercial practices of Moradabad companies. The analysis refers to the relationship marketing. Established authors advocate for a new marketing thinking. However, there are also opinions according to which relationship marketing represents only a new dimension that can be added to the existing transactional paradigm. A survey targeting Moradabad companies was conducted in order to support the ideas presented here. The study is based on the methodology developed in the international research project Contemporary Marketing Practices.

**KEYWORDS:** relationship marketing, transactional marketing, contemporary marketing practices.

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**INTRODUCTION**

Relationship Management (RM) has been a hot topic from both business discipline and information technology perspectives. Although RM has received considerable investment in many large enterprises, the need for an integrated approach is not clearly understood by many growing mid-market companies. The concept of Customer Relationship Management has evolved from years of studies on the buyer-seller relationship. Mack, Mayo and Khare defined Strategic RM as the operational component of managing shareholder value in the marketing, sales and service areas of the business. In practice, the right customers are acquired, retained, and nurtured based on an understanding of their needs.

The marketing definition that the American Marketing Association elaborated in 1985 captures the essence of the transactional perspective as it is centered on the concept of marketing mix: "...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" Basically, a company should attain an optimal combination of goods and services offering, price, promotion and distribution in order to attract and satisfy customers. The consumers are viewed as passive; they are limited to accepting or not this combination of the 4 Ps and to buying or refusing the offer. This approach proved very efficient in the context of the post-War World II economic boom of the United States. The demographic rise, the emergence of a substantive middle class, the revenues increase, the development of numerous innovative products and of new means of mass communication such as television, lead to an increase in the demand for standardized consumer goods. The marketing theoreticians of that period were mainly preoccupied with the creation of lists of variables deduced from econometric equations for profit optimization. In 1954 Neil Borden introduced the concept of marketing mix, a list which comprised 12 variables: product, price, branding, distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis. He believed that marketers "would blend the various ingredients or variables of the mix into an integrated marketing program". McCarthy was the one who, in 1960, took Borden's list and simplified it to the form of the 4 Ps we know today. Although this wasn't the only list that emerged in that period, the favorable socio-economic context and the simplicity of the model ensured the development of the marketing mix management as the main marketing theory. McCarthy's 4 Ps were "exported" to the rest of the world and remained the dominant paradigm up to our days.

However, the economic realities have changed significantly in the past decades. The energy crises of the '70s and the economic stagflation that followed led to a stop in the increase of the demand, a surplus of the production capacities and a raise of the raw materials' costs. Hollensen observes that the

transactional model is based on three conditions that are increasingly difficult to encounter in the present business environment:

- Large number of potential customers exists;
- Both customers and their needs are reasonably homogeneous;
- Lost customers are relatively easy to replace with new ones.

The marketing mix theory is now criticized for being designed for the mass marketing of consumer goods and thus having no value in the field of services or in business-to business (B2B) interactions Grönroos or Harkert and Egan point out the fact that although the microeconomic variables that Borden used were scientifically sound, the list he presented had only secondary connections to those fundamentals. Moreover, Borden's intention was to establish some guidelines and not to offer an exhaustive definition or a method for implementing marketing programs.

The shortcomings of the marketing mix theory were acknowledged both by the business and the academic environments. The most common solution for remedying these deficiencies was the adding of new Ps, which culminated with Baumgartner effort to identify all the variables that marketing should manage.

In the '70s and '80s several authors such as Gummesson, Grönroos, Berry, Sheth, Hammarkvist, Håkansson or Mattson begun to question the validity of the transactional approach as the general marketing theory. They considered that the socio-economic changes imposed a shift of the marketing efforts from the area of transactions to that of relationships. The term relationship marketing (RM) was initially proposed by Berry in 1983. Relationship marketing implies the development of long-term relationships between the customers and the suppliers, in order to generate advantages for all those involved and to allow the co-creation of value rather than its unilateral distribution. As opposed to the transaction marketing (TM), where the focus is on attracting new customers and generating as many transactions as possible, RM aims not only at attracting but also at retaining customers and knowing them better. And there is a good reason for that. Bruhn synthesizes data from various empirical studies and concludes that customer retention offers advantages from a turnover perspective as well as from a costs perspective. Besides maintaining the current turnover level, retention may favor both cross-selling and an increase in purchasing frequency. Furthermore, the customers become less sensitive to price and are willing to accept price premiums in exchange for a reduced risk. Long-term relationships also ensure a reduction of costs by the experience effect: the operational costs for an old customer are much smaller than those for a new one. The relational approach to marketing enjoyed a distinctive attention in the literature of the last decades and represents the first theoretical development that threatens the supremacy of marketing mix.

## **RELATIONSHIP MARKETING AND THE GENERAL MARKETING THEORY**

The relational concept is not new for the commercial practices. Gummesson stresses the difference between term and phenomenon and says that relationship marketing is nothing more than a new term used to describe a phenomenon that accompanied commerce since its beginnings. In his view "marketing scholars, consultants and practicing managers, who are now confessing to RM, are adding language and systems to a long existing phenomenon", just as Columbus "did not create, he just gave it a name and put it on a map".

The exponential development of the interest in RM generated numerous divergent opinions regarding the definition that should be given to relationship marketing, its domain and its position in the general marketing theory. We will first discuss the definition and the domain issues. Egan notes that a rift between the North-American school on one hand and the Anglo-Australian and Nordic schools on the other is now becoming visible. The former insist for a narrower approach, while the latter wish to include all relationships that appear in the business context rather than only customer relationships.

However, one of the most frequently cited definitions is that of Grönroos who states that "(the purpose of) ... marketing is to identify and establish, maintain and enhance, and when necessary terminate relationships with customers (and other parties) so that objectives regarding economic and

other variables of all parties are met. This is achieved through a mutual exchange and fulfilment of promises”.

This definition reflects the Nordic and the Anglo-Australian point of view regarding the expansion of RM's domain to include all the complex networks of relationships that are established in the market among companies and their customers, suppliers, competitors and other stakeholders. By analyzing the practices in the business environment Gummesson identifies no less than 30 relationships of this kind and groups them in the following categories:

- **Classic market relationships:** aspects such as the supplier-customer dyad and the supplier-customer-competitor triad or the physical distribution network are included here;
- **Special market relationships:** the relationships via full-time marketers and part-time marketers, the relationship to the dissatisfied customer, the e-relationship, the parasocial relationships and many more are discussed here;
- **Mega relationships:** these exist above the market level and provide a platform for market relationships. They concern the mega marketing (lobbying, public opinion and political power), the mega alliances and the social relationships;
- **Nano relationships:** these exist below the market level, inside the organizations, and have an impact on external relationships.

All these elements add up and contribute to Gummesson's definition: "relationship marketing is interaction in networks of relationships". There are several other broad approaches. One of them is the "six markets" model developed by Christopher, Payne and Ballantyne as an instrument for helping managers identify strategically important stakeholders. The Customer Markets are placed in the centre of this model to emphasize the idea that „organizations can only optimize relationships with customers if they understand and manage relationships with other relevant stakeholders". The other five markets, described below, have a supporting role:

- **Referral markets:** satisfied customers that become advocates of the company and recommend it to other potential customers;
- **Influence markets:** unions, business press, regulatory bodies, financial analysts, competitors, the government, consumer groups etc.;
- **recruitment markets:** potential employees and the channels used to access them;
- **Supplier and alliance markets:** suppliers that the company has partnership relationships with, and other organizations with which the company shares capabilities and knowledge;
- **Internal markets:** the organization and its employees.

Similarly, Morgan and Hunt note the existence of 10 exchange relationships that can be established in the context of four partnership types: buyer, supplier, lateral and internal partnerships. Kotler presents, although from a transactional perspective, the 10 critical players from a company's environment: suppliers, distributors, end-users and employees and financial firms, governments, media, allies, competitors and the generic public.

Payne believes that the first step in settling the current RM debate is agreeing on a common terminology to distinguish between the broad and the narrow approaches. He suggests using the term customer relationship marketing for the supplier-customer dyad and leaving relationship marketing as a term for the more general perspective. In time, one of the two might become dominant. Egan considers that the narrow standpoint will prevail as it is, to a certain degree, measurable and it sustains the functionalist marketing approach. A second problem that we discuss in this section is the position that RM might take within the general marketing theory. In an attempt to clarify this, Egan identifies four different philosophical viewpoints in the marketing literature:

- a relationship dimension can be added to the TM, hence including RM in the existing marketing paradigm;
- RM is a new paradigm and a paradigm shift has occurred, from transactional to relational;
- RM and TM are different paradigms that coexist separately;

- TM and RM coexist as part of the same marketing paradigm.

The first of viewpoint is rejected by established authors in the field of RM. Grönroos insists on the fact that RM is more than just a set of instruments, a new way of communicating with customers or a loyalty programme. All these could very well be implemented by an external agency, without involving a real and profound change of the company's orientation towards relationships.

Using the CMP methodology we have conducted a survey in order to acquire an overview of the commercial practices of the Moradabad organizations, a field which hasn't been thoroughly investigated so far. The study enables us to test the validity of the ideas concerning the simultaneous use of transactional and relational practices and the existence of a marketing shift.

## THE CONTEMPORARY MARKETING PRACTICES FRAMEWORK

Following a detailed analysis of a research, the CMP group developed a classification framework that includes nine dimensions of the way companies relate to their markets:

- **Exchange dimensions-**

Purpose of exchange, Nature of communication, Type of contact, Duration of exchange, Formality in exchange;

- **Management dimensions**

Managerial intent, Managerial focus, Managerial investment, Managerial level.

Considering these dimensions, the authors concluded that five marketing types may be identified in the literature and in the business practice and grouped them in two main perspectives:

- **Transactional perspective:**

Transaction Marketing (TM);

- **Relational perspective:**

Database Marketing (DM), E-Marketing (EM), Interaction Marketing (IM), Network Marketing (NM).

As defined by the CMP framework, the five marketing types do not exclude each other and each organization may practice them in a smaller or greater proportion, creating in this way a portfolio of strategies. Through TM, the firm is targeting a larger number of customers that remain relatively anonymous, and tries to generate as many transactions as possible, by offering an attractive combination of products, prices, advertising and distribution. A good example is that of supermarkets which use mass advertising to attract a large number of customers. However, the salespersons have no specific information about these customers; they do not know their names, addresses, preferences and so on. Although transactions may continue over time, they are regarded as being distinct as there is no differentiation between loyal and occasional buyers.

Unlike the previous types, where the client could only react to the offer, eM introduces the dialogue, the possibility of the customer to communicate with the firm, to make proposals. Yet, the communication is not face-to-face, but mediated by the. In the case of the IM there is a closer, personalized relationship between the firm's representatives and certain clients. The customer does not communicate with the company as a whole, but with a certain employee who deals with him on a regular basis and who knows his needs. The interaction is face-to-face and it may also be informal, when the two of them might have other conversation subjects than those strictly related to business. Examples could include the interaction between the sales agents and the employees of the firms that buy from them or the cooperation and the exchange of ideas between an architect and the client that wants a house. The firm creates a network of relationships with other firms in order to gain common benefits and to better serve the final clients. The NM may involve relationships with suppliers (e.g. Just In Time systems) or even with competitor firms. Several producers could establish partnerships in order to have a greater negotiating power when confronted with their distributors or they could share technologies to produce more efficient.

## OBJECTIVES OF THE STUDY

The research is focused on the following aspects:

- Determine the main orientation in the Moradabad business environment.
- Identify the types of marketing present in the Moradabad business environment;
- Reveal the relationships that exist between these types of marketing and the companies' performance.

## METHODOLOGY OF THE STUDY

This survey used the standard questionnaire of the CMP project, with some changes imposed by the particularities of the Moradabad study. The questionnaire was presented to five college/ Institution Teachers, specialized in marketing, and to six managers from brass industries. After this pre-testing, some minor adaptations of the text were made, in order to better preserve the meaning of some expressions that were initially affected by the translation from English to Hindi. Most of the questions involve the evaluation of some sentences on a rating scale 1 to 5. In order to make the results more visible, the average was divided by 5, obtaining an index with values in the 0 to 1 interval. The performance of the companies was measured with subjective indicators. A comparison based on objective indicators would not have been relevant given to the variety of the organizations included in the survey. The respondents had to evaluate the measure in which their organization uses some performance indicators and the results compared to the expectations they had for those indicators, during the previous year.

## SAMPLE OF THE STUDY

In selecting the companies to be included in this survey the aim was to obtain a high degree of variability in terms of size, sector, age and geographical location. However, given the complexity of the questionnaire used, convenience sampling was preferred to probabilistic sampling. The final sample totals 35 organizations based in Moradabad district. The small and medium enterprises are predominant (60.4% and 27.4%, respectively). Most of the companies have been present on the Moradabad Urban market for more than 10 years. 56.7% of the respondents claim that in 2014 their turnover increased by more than 10%. With regard to the characteristics of the respondents, 84.4% occupy a managing position and another 10% are marketers. 61.4% occupy their current position since at least 3 years and 91.5% consider that their job is either directly or indirectly related the company's marketing.

## RESULTS AND DISCUSSION OF THE STUDY

The usage levels of the five types of marketing were estimated by calculating their indexes (values between 0 and 1, as previously mentioned). The results are presented in Table no. 1.

Table no. - 1

Indexes for the five marketing types

	Index	Minimum	Maximum	S.D.	
TM	0.64	0.33	1.00	0.12	
DM	0.62	0.27	0.93	0.14	
EM	0.61	0.20	0.93	0.18	
IM	0.74	0.29	1.00	0.16	
NM	0.71	0.24	1.00	0.14	

As it can be noticed, the companies use all five types of marketing. However, interaction and network marketing seem predominant. Paired samples t tests were used to evaluate the differences between the five indexes. For each of these tests, the effect size was also computed. Field and Pallant recommend reporting this indicator as an objective measure of the test's importance. The fact that the test is significant does not mean that the effect it measures is important. The effect was estimated using Pearson's correlation.

Next, the distribution of the companies by their indexes levels for the five concepts was highlighted. The organizations were grouped into three categories according to their usage level of every marketing type:

- Low level: index value up to 0.60, corresponding to a maximum average of 3 on the 1 to 5 scale;
- Medium level: index value between 0.61 and 0.80.
- High level: index greater than 0.80, or an average greater than 4.

Table no.-2

Companies' distribution by marketing types and indexes levels

Index level	TM	DM	EM	IM	NM
Low	47.9	42.2	43.0	21.8	20.4
Medium	40.8	49.3	44.3	37.3	50.0
High	11.3	8.5	12.7	40.9	29.6
Total	100%	100%	100%	100%	100%

Table no. 2 provides some interesting information. Almost half of the firms (47.9%) have a low usage level for TM. DM and NM registered medium usage levels in most of the companies. Network marketing and interaction marketing are predominant, as 79.6% (NM) and 78.2% (IM) of the companies use them at a medium or high level. As mentioned earlier, IM is more common than other types of relationship marketing. Most of the firms use IM at a high level (40.9%), while only 21.8% present a low IM level. A correlation analysis of the five indexes was performed in order to see which marketing types are practiced together. All relational practices are positively and significantly correlated among them, suggesting the fact that companies use them together, in diverse combinations. A very strong association can be observed between the two technology-based relational practices, i.e. DM and EM. These indexes share 67% of their variance.

Another analysis was aimed at investigating the link between the usage of different marketing types and firms' performance. The performance indicators and the method used for measuring performance were described in a previous paragraph. First, it is apparent that the relational practices IM, EM and DM achieve their goal of retaining existing customers, as they are the only ones presenting medium-strength associations with this performance indicator. IM, EM and DM seem to have a positive impact on customer satisfaction as well. Transaction marketing also achieves its main goal, that of attracting new customers. TM and the technological forms of relationship marketing (DM, EM) are correlated with customer acquisition. The marketing practices that have the strongest association with companies' performance in securing the desired market share are DM and EM.

## CONCLUSIONS

Relationships and interactions are a constituent part of the human society and have inevitably accompanied the business practice since the beginnings of commerce. The supremacy of the transactional approach was a mere exception generated by the evolution towards mass production. Therefore, the present efforts in the field of relationship marketing are an attempt to theorize some situations that are already present in the economic life. Many companies understood that their long-term competitiveness is conditioned by customer retention. In order to achieve this, there's a need to change the way the customer is perceived by implementing bilateral communication with him, by winning the customer's trust, by treating him as a partner that can contribute to value creation. Also, marketing must evolve into a company-wide preoccupation rather than remain isolated in a specialized department. But in the end, can we claim that relationship marketing will become the dominant paradigm and that the transaction marketing will disappear?

The survey conducted in accordance with the CMP methodology reveals that the Moradabad business environment does not appear to be dominated by a single marketing orientation. Companies use all types of marketing, the relational ones as well as the transaction marketing. However, interaction marketing and network marketing are more common than TM, DM and EM. Transaction marketing is

used in combination with the technology based types of relationship marketing but independently of IM and NM. The use of TM, DM and EM favours new customer acquisition. Companies' performance in satisfying and retaining those customers is associated with their level of relationship marketing. Hence, both the transactional and the relational approaches fulfil their purposes.

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