Theoretical Foundations of Relationship Marketing

Ghazy Al- Hamed, Shaker Turki Amin

Abstract- This paper aims to explore the theoretical foundations of relationship marketing from the perspective of several authors-related disciplines, and to attempt a fresh perspective that seeks to integrate these contributions. Despite the recent popularity of research into relationship marketing, there is still some confusion surrounding the concept of and how it differs both from non relationship marketing and from other ways of managing marketing relationships. This confusion reflects, to some extent, the diverse origins of the concept and the scarcity of research into such fundamental questions as what is a relationship, and what forms of relationship are more or less suited under different circumstances to management through relationship marketing. Taking a broad approach to the subject, the paper explores and integrates these theoretical foundations. This article finds that an integrated account can be offered for the emergence of relationship marketing as a coherent area for research. Areas of marketing research with particular relevance to the development of research into relationship issues are: Internal marketing, Value creation rather than value distribution, Partnership and Strategic Alliances and interaction theory. Future research into relationship marketing should focus on: the rationale, processes and structures involved in relationship marketing. The paper encompasses and integrates the diverse theoretical origins of relationship marketing and integrates the research traditions emerging from these origins as they relate to relationship marketing. The paper then considers the implications and priorities for the future development of research and theory in relationship marketing.

Keywords: Relationship marketing; Internal marketing, Value creation rather than value distribution, Partnership and Strategic Alliances.

I. INTRODUCTION

This paper works from the starting point "that the real purpose of private universities is to create and sustain mutually beneficial relationships, especially with selected customers (students and stakeholders). Equally widely accepted is the view that the successful relationships is the two-way flow of value (giving and getting). However, could it be true that most private universities miss an important point that Relationship Marketing is about relationships, which are two- way, and instead focus merely on a one-way communication and management of customers (getting)."

Relationship marketing usually results in strong economic, technical and social ties among the stakeholders parties thereby reducing their transactions costs and increasing exchange efficiencies included in RM are not only buyers / sellers exchanges but also business partnerships, strategic alliances, and cooperative marketing networks. Several aspects of relationship marketing "concepts" are unique.

First the relationship typically involves seller- customer exchange, but it could involve any stakeholders relationship (Morgan and Hunt, 1994).

Marketing as a distinct discipline was born out of economics around the beginning of this century. As the discipline gained momentum, and developed through the first three quarters of the twentieth century, the primary focus was on transactions and exchanges. However, the development of marketing as a field of study and practice is undergoing reconceptualization in its orientation from transactions to relationships (Kotler & Armstrong, 2008). The emphasis on relationships as opposed to transaction based exchanges is very likely to redefine the domain of marketing.

The emergence of a relationship marketing school of thought is imminent given the growing interest of marketing scholars in the relational paradigm. The paradigm shift from transactions to relationship is associated with the return of direct marketing.

Consumer markets, as in the pre-industrial era (characterized by direct marketing practices of agricultural and artifact producers) once again direct marketing and becoming popular, and consequently so is the relationship orientation of marketers. When producers and consumers directly deal with each other, there is a greater potential for emotional bonding that transcends economic exchange. They can understand and appreciate each others’ needs and constraints better, are more inclined to cooperate with one another, and thus, become more relationship oriented. This is in contrast to the exchange orientation of the intermediaries (sellers and buyers) (Kotler & Armstrong, 2008).

Mass production forced producers to sell through intermediaries, and on the other, industrial organizations, due to specialization of corporate functions, created specialist purchasing departments and buyer professionals, thus Separating the users from the producers. However, today’s technological advancements that permit producers to interact directly with large numbers of users. (Pride & Ferrell, 2006).

II. BACKGROUND

A. Defining Relationship Marketing

As research in the area of relationship marketing has developed there have been numerous attempts to define relationship marketing. The fact that there is no universally accepted definition (and indeed often quite considerable diversity) reflects the diverse research traditions which have contributed to relationship marketing. While such a diversity of perspectives can offer many advantages, there is also the risk of creating confusion and for some this continues to be a weakness associated with relationship marketing (Harker, 1999; Lindgreen, 2001).

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One of the best-known definitions of relationship marketing integrates both transactional and relational views and as such provides a broad perspective which can accommodate a variety of views on the specific nature of relationships. For Gronroos (2000), the purpose of marketing is to “identify and establish, maintain and enhance, and when necessary terminate relationships with customers (and other parties) so that the objectives regarding economic and other variables of all parties are met. This is achieved through a mutual exchange and fulfillment of promises.” This definition which implicitly provides the basis for subsequent discussions throughout this paper.

B. What is Relationship Marketing

Relationship marketing: A philosophy that an organization should try to provide products that satisfy customers needs through a coordinated set of activities that also allows the organization to achieve its goals.

In rapidly increasing numbers, producers of foods and services have shifted away from transactions-based systems of marketing to longer-term, more customer-focused relationship systems. Table (1) summarizes the differences between the narrow focus of transaction marketing and the much broader view that relationship marketing takes.

Table (1)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Transaction Marketing</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Orientation</td>
<td>Short-term</td>
<td>Long-term</td>
</tr>
<tr>
<td>Organizational goal</td>
<td>Make the sale</td>
<td>Emphasis on retaining customers</td>
</tr>
<tr>
<td>Customer service priority</td>
<td>Relatively low</td>
<td>Key component</td>
</tr>
<tr>
<td>Customer contact</td>
<td>Low to moderate</td>
<td>Frequent</td>
</tr>
<tr>
<td>Degree of customer commitment</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Basis for seller-customer interactions</td>
<td>Conflict manipulation</td>
<td>Cooperation; trust</td>
</tr>
<tr>
<td>Source of quality</td>
<td>Primarily from production</td>
<td>Companywide commitment</td>
</tr>
</tbody>
</table>

Every marketing transaction involves a relationship between the buyer and seller in a transaction-based situation, the relationship may be quite short in duration and narrow in scope. The customer-seller bonds developed in a relationship marketing situation, on the other hand, last longer and cover a much broader scope than those developed in transaction marketing. Customer contact are more frequent, a company emphasis on customer service contributes to consumer satisfaction. (Armstrong & Kotler, 2007).

Figure (1) shows the need to blend quality and customer service with traditional elements of marketing mix. When a company integrates customer service and quality with marketing, the result is a relationship marketing orientation. Relationship marketing creates a new level of interaction between buyers and sellers, rather than focusing exclusively on attracting new customers, marketers have discovered that it pays to retain current customers.

Interactive marketing refers to buyers-seller communications in which the consumer controls the amount and type of information received from a marketer. Interactive techniques have been used for more than a decade; point-of-sales brochures and coupon dispensers are a simple form of interactive advertising. today, however, the term also includes two-way electronic communication using a variety of media such as the internet, CD-ROMS, and virtual reality kiosks (Boone & Kurtz, 2007).

Interactive marketing frees communication between marketers and their customers from the limits of the traditional, linear, one way message to passive customers using broadcast or print ads. Now customers come to companies for information, creating opportunities for one-to-one marketing. For example, each customer who visits a Web site has a different experience, based on the pathway of links he or she chooses to follow. These electronic conversations establish innovative relationships between users and the technology, providing customized information based on users interests and levels of understanding. People gain access to chosen programs and services via their personal computers and telephones, and they can purchase products not only from stores but also via television or the internet. (Miller, et al. 2002).

C. Buyer-Seller Relationship

Relationship Marketing depend on the development of close ties between the buyer, whether an individual or company and seller. This ties considers as the core elements of the buyer-seller relationship; the three promises that form the basis of relationship marketing and the four dimensions of relationship marketing model (Boone & Kurtz, 2007).

D. Promises In Relationship Marketing

Relationship Marketing is based on promises from organizations that go beyond obvious assurance that potential customer expect. Asset of promises- out side the organization, within the organization and between buyers and sellers interaction- determine whether a marketing encounter will be positive or negative buyer-seller relationship.

- Making Promises:
Most firms makes promises to potential customers through external marketing, directs toward customers, suppliers, and other parties outside the organization.
the promises communicate what a customer can expect from the firm's goods and service. The promises must be both realistic and consistent with one another. A firm that makes unrealistic promises can a disappointed customer who may not buy the goods or service again, (Zeithmal, V. et al. 2006).

- Enabling Promises:

A company can follow through on its promises to potential customers through external marketing only if it enables these promises through internal marketing. Internal marketing includes recruiting talented employees and providing them with tools, training, and motivation they need to do their job effectively (Boone & Kurtz, 2007).

- Keeping Promises:

every customer interaction with a business reaches the moment of truth when goods or service is provided to the customer. buyer-seller relationship following external and internal marketing, defines the point at which a company keeps its promises.

E. Dimensions of Relationship Marketing

Clearly, making, enabling, and keeping promises are crucial parts of relationship marketing process, but developing relationships require more than promises. All relationships depend on the development of emotional links between the parties. There are four key dimensions of relationship marketing: bonding, empathy, reciprocity, trust and tangibility (Chris and Graham, 2007).

- Bonding: two parties must bond together in order to develop a long- strong relationship. Stronger bonds increase each party's commitment to the relationship.
- Empathy: the ability to see situations from the perspective of the other party- is another key emotional link in the development of relationships.
- Tangibility: the physical facilities, equipment and appearance of personnel.
- Reciprocity: every long-term relationship includes some give-and-take between the parties; one make allowances and grants favors to the other in exchange for the same treatment when its own need arises.
- Trust: trust is ultimately the glue that holds a relationship together over the long haul. Trust reflects the extent of one party's confidence in another party's integrity. When parties follow through on commitments, they enhance trust and strengthen relationships. Stronger trust leads to more cooperation between parties in a relationship. A customer's level of trust and satisfaction with sales people affect the quality of the organizational relationship.

F. Internal Marketing

The current interest in internal marketing has been promoted by the renewed acknowledgement by organizations of the importance of their people. Internal marketing strategies involve recognizing their importance of attracting, motivating, training and retaining quality employees through developing jobs to satisfy individual needs (Peck, H. et al. 2000). Internal marketing aims to encourage staff to behave in a way that will attract customers to the firms, the most talented people will want to work in those companies they regard as good employers. People now recognize internal marketing as an important component of a customer- focused organization, and it is starting to be treated as an important management topic (Christopher M. et al. 2002).

Internal marketing: the marketing between units in the same corporation and the relationships between internal customers, internal marketing is the application of marketing knowledge- which was originally developed for external marketing, the objective of internal marketing is to create relationships between management and employees and between functions, efficient internal marketing leads to efficient external marketing (Gummesson, 2002).

G. Creating Value

Marketing has progressed from a simplistic focus on "giving the customer what they want to a pan-company orientation in which the specific capabilities of the business are focused around creating and delivering customer value to the target market segment. A Key role of marketing in this new framework is to determine what value proposition to create and deliver to which customer. ( Zeithaml V. et al. 2006).

(Peck H. et al. 2000).

H. Partnership and strategic alliances

Partnering with others, More companies today are partnering with other members of the supply chain to improve the performance of the customer value-delivery network. For example, Toyota knows the importance of building close relationships with it suppliers. In fact, it even includes the phrase "achieve supplier satisfaction" in its mission statement. Suppliers satisfaction means that they can rely on suppliers to help it to improve its own quality, reduce cost, and develop new products quickly (Christopher M. et al. 2002).

Another form of Partnership and strategic alliances are the "suppliers" and "alliance" markets they both need to be viewed as a partnerships –they can make to the establishment of a successful relationship marketing strategy. In the mid-1980s, the Austin Rover car manufacturing company had well over 1000 suppliers with whom it had arm's-length , often adversarial, relationships. Ten years later a transformed company, now called the Rover group, had fewer than 500 preferred suppliers with whom it had the closest possible relationships (Peck H. et al. 2000).

I. Customer Loyalty

The relationship marketing ladder of loyalty, most companies direct the greater part of their marketing activity at winning new customers. But while businesses need new customers, they must also ensure that they are directing enough of their marketing effort at existing customers. So we can describe relationship marketing as a ladder-hierarchy of loyalty (Christopher M. et al. 2002), loyal customers (moving from new customers to regular purchasers then to loyal supporter. Prospect, purchaser, client, supporter, advocate, partner.
III. CONCEPTUAL FRAMEWORK

In 1994 Gummesson defined relationship marketing as “a process, a chain of activities. It represents a holistic attitude to marketing” and thus reflected the shift from transactional aspects of doing business with a customer to relational aspects. The development of these relational aspects indicates the importance attached to the duration of the relationship, i.e. the longer the relationship lasts, the more profitable it becomes. To manage a relationship successfully over time necessitates proficiency in terms of process management, i.e. organizing your company in an efficient manner so that the customers needs and wants can be satisfied in an effective way over time. Thus process management should offer the possibility of moving a transactional customer up the loyalty ladder (Payne, A., et al, 1997) to become a repeat buyer i.e. a loyal customer.

There is a plethora of tools to aid loyalty management. Reicheld, 1994, refers to measurement systems, customer targeting based on lifetime value, defection analysis and value proposition renewal. Buchanan and Gilher, 1990 emphasize the importance of measuring, arguing that what gets measured, or lends itself to measurement, is likely to be implemented.

The assumption behind this obsession with measuring aspects of a relationship with a customer is that a satisfied customer is a loyal customer. Thus if you can work out, i.e. measure, how satisfied your customers are, then you have a greater opportunity to undertake steps to improve their satisfactions and thus their loyalty. This assumption needs challenging. All marketing is based on the satisfaction of customer needs and wants, and attempts to develop the customer’s repeated engagement with the company: RM, however, needs to take into account whether the customer is willing to engage in a relationship or not. RM indicates commitment between the participants, much lauded in the academic texts but still developing in industrial practice and even less widespread amongst consumers than marketers would like.

Relationship marketing has seen a number of developments since the early work of Christopher, Payne and Ballantyne (2002), most notably the development of terms and processes that have been used to demonstrate the adoption of the new paradigm. It is the automation of processes that has driven practitioners with 'Customer Relationship Management Programs' that enable data collection, analysis and communication of tailored messages to the most promising prospects as the focus of activity.

The study of Leo Y.M. et al. (2002), concludes that there is a positive association between relationship marketing orientation (RMO) and business performance, a valid measure of RMO has not yet been proposed and systematic analysis of its effect on business performance has thus far not been possible. This paper addresses some conceptual and measurement issues related to the study of RMO and its impact on business performance in a service context. It first reviews the concept of RMO and its important dimensions. Next, a measurement scale with acceptable reliability and validity is developed to capture the dimensions of RMO. In turn, analysis of data shows that RMO is positively and significantly associated with sales growth, customer retention, market share, ROI, and overall performance.

The study of Gounaris (2007), The notion of internal market orientation and employee job satisfaction: some preliminary evidence. The purpose of this study is to examine the impact of Internal Market Orientation (IMO) on the application of internal marketing practices and employee job satisfaction. The study found that Job satisfaction is positively related with the practice of internal marketing. However, IMO is also a significant variable in explaining employee job-satisfaction while moderating the relationship between internal marketing and job satisfaction.

In The Future of Relationship Marketing. Patrick E. et al. (2007), are studied An ethical basis for relationship marketing: a virtue ethics perspective. to provide an ethical foundation for relationship marketing using a virtue ethics approach. The approach is a conceptual one providing a background on relationship marketing and both American and European perspectives. The proposed ethical relationship marketing approach has three stages (establishing, sustaining and reinforcing) that are paired with specific virtues (trust, commitment and diligence). Darryn, M. et al. (2006), Mapping the re-engagement of CRM with relationship marketing, they aims to reframe and enhance the relationship marketing literature through advocating an emphasis on process and a renewed commitment to social and informational exchanges. It takes as its starting-point the recognition that customers exist in complex dynamic systems in which they enact multiple roles. However, current implementations of customer relationship management (CRM) typically only view customers through a single lens (as customers) that denies firms a holistic view of those with whom they interact. Moreover, CRM systems typically embed and script actions (i.e. call centre options, offers driven by cross-selling and segmentation) rather than enabling rich communication and facilitating appropriate responses that emerge from that communication. It is argued here that, as a consequence, both parties to a relationship need to negotiate the nature of systems that connect them, because those systems, in part, determine the content of relationship exchanges.

Bejou and Palmer (2005) make a concerted attempt to stretch our thinking about the future direction relationship marketing can take more than a decade on from the early writings. The content is based on a colloquium in relationship marketing held at Cheltenham, UK and the manuscript is co-published simultaneously as volume four of the Journal of Relationship Marketing. A set of six papers cover the topics of communication, justice theory, word-of-mouth, organizational theory, CRM implementation and verbal behavior in negotiations. A seventh paper by the editors introduces the issues addressed by the papers. Combined they present alternative approaches to thinking about an organization’s relationship with its customers or stakeholders that can guide future research in relationship marketing.
The study of Varey and Ballantyne (2005), titled 'Relationship marketing and the challenge of dialogical interaction', the authors make the distinction between three types of interaction, informational, communicational and dialogical, and argue that dialogical communication between marketers and stakeholders is necessary for an organization to be an 'innovative social and economic contributor'. The authors explain that dialogical interaction refers to an 'extended conversation among two or more people' - in essence the basis for a relationship that involves both parties learning together. Yet in today's high tech world where managers are removed from any contact with their customers, the way such dialogues can occur are much different from the approaches used in traditional markets where the seller of a product interacts directly with the customer. Therefore, it is argued, managers need to make an effort to develop dialogical inquiry which can inform them and allow them to reflect on their past behaviors and consequences. This it is believed will lead to a greater understanding of each participant's point of view and lead to the establishment of further and deeper relationships.

Woratschek and Horbel (2005) play devil's advocate by asking why should we bother trying to satisfy variety seekers given that they are unlikely to become repeat or loyal customers? They use the example of a tourist destination that has low repeat custom because it attracts passing tourists rather than having a base of local residents. This situation is common for many tourist destinations and could also apply to irregularly purchased products and services as well. They present reports a link between customer satisfaction and the level of word of mouth recommendation by visitors, indicating that a satisfied or infrequent visitor will deliver business through word of mouth communications. These findings challenge managers' approaches to viewing variety-seeking behavior and a number of practical recommendations are made by the authors.

The other paper explores relationship marketing from a management philosophy perspective. Pels and Saren (2005) discuss the influence of positivistic and interpretative approaches to strategy, organizational theory and marketing by reviewing the philosophies that have dominated these topics and how they have changed. They conclude that a pluralistic approach now needs to be taken that accepts the co-existence of multiple approaches. The reader is left with the challenge to solve the resultant problem of how multiple paradigms can coexist in the same firm. Taking a different tack, Henneberg (2005) provides a practitioner oriented article by examining the opportunities for future research in customer relationship management implementation models. The paper provides managers with direction for the implementation of a CRM program, although the failure of many current programs and very high dissatisfaction levels with such programs (reported as 52% in the study) may mean that the CRM models may quickly become obsolete as managers move on to more rewarding activities.

IV. CONCLUSION

Relationship marketing is one of the most time-consuming, but most effective strategies for marketing Extension programs. Relationship marketing is a process, not a one-time event; clients must understand that you are committed long-term and that they can depend on you to provide the services required.

To be effective, you must establish a relationship with the customers you are targeting by making a connection with them over time. In order to build a relationship, as with any other relationship in life, Extension needs to be constantly in touch with its customers. By making a connection with diverse customers, Extension can build strong community networks that promote the programs we market beyond the limited scope of small workshops and community meetings.

Relationship marketing: Internal marketing. Value creation rather than value distribution, Partnership and Strategic Alliances creates value; Value creation generates the energy that holds these businesses together, and their very existence depends on it. The physics that governs the interrelationships and energy states of a business systems' elementary particles - its customers, employees, and investors - can be called 'the forces of loyalty'. Because of the links between loyalty, value, and profits, these forces are measurable in cash flow terms. Loyalty is inextricably linked to the creation of value as both a cause and an effect. As an effect, loyalty reliably measures whether or not the company has delivered superior value: Customers either come back for more or they go elsewhere.

Recommendation

As a cause, loyalty initiates a series of economic effects that cascade through the business system, as follows:

1. Revenues and market share grow as the best customers are swept into the company’s business, building repeat sales and referrals. Because the firm’s value proposition is strong, it can afford to be more selective in new customer acquisition and to concentrate its investment on the most profitable and potentially loyal prospects, further stimulating sustainable growth.

2. Sustainable growth enables the firm to attract and retain the best employees. Consistent delivery of superior value to customers increases employee loyalty by giving them pride and satisfaction in their work. Furthermore, as long-term employees get to know their long-term customers, they learn how to deliver still more value, which further reinforces both customer and employee loyalty.

3. Loyal long-term employees learn on the job how to reduce costs and improve quality, which further enriche the customer value proposition and generates superior productivity. The company can then use this productivity surplus to fund superior compensation and better tools and training, which further reinforce employee productivity, compensation growth, and loyalty.

4. Spiraling productivity coupled with the increased efficiency of dealing with loyal customers generates the kind of cost advantage that is very difficult for competitors to match. Sustainable cost advantage coupled with steady growth in the number of loyal customer. 5. Sustainable growth enables the firm to attract and retain the best employees.
Future Research

Consumer relational preferences have the potential to change the influence relational benefits and relationship quality constructs have on loyalty and word-of-mouth communication. Future researchers may wish to explore moderating relationship of consumer relational preferences. Another limitation is that the cross-sectional nature of the data only allows for correlational, rather than causal, inferences to be made. The possibility exists for a path to be operating in the opposite direction from what we propose. Another potentially fruitful area for future research is delineating among the different types of special treatment benefits explored in this study. Perhaps some special treatment benefits are more relevant than others with respect to their impact on relationship marketing outcomes.

REFERENCES