Relationship Marketing: From Its Origins to the Current Streams of Research

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ABSTRACT
As companies increasingly recognize the importance of interaction with customers, relationship marketing is assuming a central place in both marketing theory and practice. The purpose of this working paper is to offer a general overview of the roots of relationship marketing as well as of its conceptual background. In this regard, two important streams of research are examined and discussed – the Nordic School and the IMP Group. The contributions of the Anglo-Australian School and the relationship approach to branding are also considered.

Key words: relationship marketing, transaction marketing, services, business-to-business marketing, distribution channels, branding.

JEL classification: M31
1. INTRODUCTION

At a time of intense competition and increasingly demanding consumers, relationship marketing has attracted the attention of both researchers and managers. Academics have focused their attention on its scope, and developed a conceptual framework aimed at understanding the nature and value of the relationships not only with customers but also with a number of other stakeholders. Many researchers with varied interests in the field of marketing – such as distribution channels, services marketing, business-to-business marketing and marketing communication – have studied and explored the conceptual fundamentals of relationship marketing and its application in the business world (Palmer, Lindgreen and Vanhamme, 2005). It is in this context that in 1994 Grönroos stated that relationship marketing would probably turn into one of the dominant paradigms in marketing theory.

What are the origins of this approach? It is generally accepted that the roots of the expression “relationship marketing” can be found in the early 1980s. It appears for the first time in academic literature in 1983 when Leonard Berry, in a book on marketing to services, writes a chapter entitled “Relationship Marketing.” Two years later, in the context of a project related to industrial marketing, Barbara Jackson uses the same expression of “relationship marketing” in her book Winning and Keeping Industrial Customers as well as in an article published in Harvard Business Review in 1985. This fact bears mentioning: the two researchers who introduced the expression – one in the area of services and the other in the industrial field – indicate, to some extent, its conceptual pillars. Finally, we must also mention the great Theodore Levitt, who in 1983, without using the term “relationship marketing” in those exact words, states that the objective of a business should not be limited to sales in itself but should also provide the greatest customer satisfaction, which depends on “how well the relationship is managed by the seller” (Levitt, 1983, p. 111).

In 25 years, relationship marketing has undergone a significant evolution, with its current status undeniable. A recent Google search showed close to 8,000,000 hits for the search term “relationship marketing”. On the other hand, the American Marketing Association changed its definition of marketing in 2004, putting in evidence its relational nature: “marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.” It is interesting to compare this definition with the one
adopted before: “marketing is the process of planning and executing the conception, pricing, promotion, and distribution of goods, ideas, and services to create exchanges that satisfy individual and organizational goals.” It should be noted that the *Journal of Public Policy & Marketing* published a special issue at the end of 2007 dedicated to the theme of “The American Marketing Association’s New Definition of Marketing: Perspectives on Its Implications for Scholarship and the Role and Responsibility of Marketing in Society”, which reveals how the definition of marketing has changed its focus.

Furthermore, in its report on research priorities for 2006-2008, the Marketing Science Institute clearly stated that customer relationship management is one of the most relevant areas. They have stated that “realizing that their customers now have better opportunities for switching suppliers or brands, our companies are looking for ways to engage their customers and thus strengthen customer loyalty. Loyalty programs have been in place for some time, but can they be maintained without damaging long-term profitability? Companies are interested in discovering new ways to create and sustain emotional connections with the brand” (Marketing Science Institute, 2006, p. 4).

The goal of this paper is twofold: to show how relationship marketing emerged, and to examine its most relevant streams of research. Beyond this introductory section, the paper includes three main sections. The first offers an overview of the origins of relationship marketing, focusing not only on scientific issues but also on those most associated with the business world. The second section discusses the concept of relationship marketing and how its scope is addressed by the most important literature. The final section focuses on the most significant schools of thought.

### 2. The Origins of Relationship Marketing

In the academic field, a number of prestigious conferences as well as some special issues of important journals have contributed to the current level of relevance of relationship marketing. Notable is a series of conferences promoted by the International Colloquium of Relationship Marketing (the first of which was held at Monash University in Australia in 1993), the conferences at Emory University which also began in the same year, the seminar

In the business world, there are also various factors that have increased the importance of relationship marketing. Several authors (cf. Brito, 1998; Dibb, 2001; Grönroos, 2007; Lara and Casado, 2002; Little and Marandi, 2003; Sheth and Parvatiyar, 1995, 2000) have shown which changes, both on the supply and demand side, have increased the strategic importance of more relationship-oriented approaches. Among the factors most generally mentioned are: (i) the tendency for lesser effectiveness of mass-market approaches, (ii) the advances in the field of new technologies, not only in terms of communication and information but also in production and logistics, (iii) the high level of competition seen in the increasing number of available brands, ones often viewed as having little that distinguishes one from another, (iv) the growing importance of services, (v) the emergence of new business models based on partnerships and networks, fostered by the process of globalization.

With this being the academic and business framework in which relationship marketing has been developing and affirming itself, it becomes interesting to perceive in a more precise way what its theoretical foundations are. Based on Eiriz and Wilson (1999, 2006) and Möller and Halinen (2000), as well as on the contributions of other important researchers (Brodie et al., 1997; Coviello et al., 1997; Gummesson, 1996; Mattsson, 1997; Morgan and Hunt, 1994), the conceptual origins of relationship marketing can be found in essentially four areas: supply chain and marketing channels, organizational marketing, services marketing, and database and direct marketing (Figure 1).
Figure 1
Conceptual Roots of Relationship Marketing

Supply Chain & Marketing Channels
Organizational Marketing
Services Marketing
Database Marketing & Direct Marketing

Relationship Marketing

Sources: Eiriz and Wilson, 2006, p. 282; Möller and Halinen, 2000, p. 32 (adapted)

Supply Chain and Marketing Channels

Some of the most important issues on distribution channels – whose origins go back to the 1970s (cf. El-Ansary and Stern, 1972; Rosenberg and Stern, 1971; Stern, 1969) – deal with the conflict of power in the context of the buyer-seller interaction process. In general, the understanding and explanation of structures of governance and the nature of the two-way behavior of the parties is sought. In this vein, most studies have focused on inter-organizational relationships, namely within a perspective of efficiency of economic transactions (Heide and John, 1990), although there is also research centered on social aspects and economic policy (Reve and Stern, 1985). Important references in the area, beyond the ones mentioned above, are Anderson and Narus (1984, 1990), Geyskens et al. (1998), Grundlach et al. (1995) and Joshi (1995), among others.
**Organizational Marketing**

The literature on distribution channels has contributed in part to the emergence of an important stream of research on interaction and inter-organizational networks, the most prominent research group of which is the IMP – Industrial Marketing and Purchasing. Primarily European, its main research centeres are in the Nordic Countries (such as the Uppsala University and the Stockholm School of Economics), as well as in the United Kingdom, where the Universities of Lancaster, Manchester (at the time called UMIST – University of Manchester Institute of Science and Technology) and Bath deserve special mention. With their initial studies centered on the understanding of two-way interaction at the organizational level (cf. Ford, 1980; Håkansson, 1982; Turnbull and Valla, 1986), later work was advanced toward a more integrated and wide-reaching network approach (cf. Axelsson and Easton, 1992; Ford et al., 1998; Gadde and Håkansson, 2001; Håkansson, Harrison and Waluszewski, 2004; Naudé and Turnbull, 1998).

**Services Marketing**

The third theoretical area on which relationship marketing is founded is services marketing. Since the late 1970s, researchers in this area have shown that the development of a conceptual framework for services based exclusively on the traditional approach of product marketing mix was manifestly insufficient (Parasuraman, Zeithaml and Berry, 1985). Customer participation, not only in consumption but also in the production of the service, in conjunction with the simultaneity seen between both processes – something that came to be called ‘servuction’ by Eiglier and Langeard (1987) – made clear the relational nature of services. Important contributions in this field deal with quality management and its association with customer satisfaction (an idea that became central to relationship marketing), as well as the importance of people and processes in service quality. Important references in this field are two authors of the Nordic School (Grönroos, 1990, 1994, 2007; Gummesson, 1991, 1993, 2002) as well as Crosby et al. (1990), Gwinner et al. (1998), Rust et al. (1996) and Zeithaml et al. (1990).

**Database Marketing and Direct Marketing**

Finally, the fast development of information and communication technologies over the past two decades has acted as a catalyst for more interactive market approaches. The capacity for
storing and extracting data offered by new technologies – allowing for what is commonly known as data warehouse and data mining – has increased the ability of organizations to deal with a vast quantity of information from customers that it would otherwise be unthinkable. From the point of view that marketing is viewed as a support tool, the truth is that new information and communication technologies have greatly advanced the capacity for individualized management of customer relationships. O’Connor and Galvin (1997), Rust and Kannan (2003), Swift (2001) and Tapp (1998) are some of the most important researchers in this field.

3. THE SCOPE OF RELATIONSHIP MARKETING

With these as the roots of relationship marketing, the truth is that we confront a relatively recent theoretical field where a wide consensus does not yet exist about what the concept entails (Grönroos, 2006a). To illustrate this point, the following definitions from some of the most respected authors on the subject include:

“Relationship marketing concerns attracting, developing, and retaining customer relationships” (Berry and Parasuraman, 1991, apud Hunt et al., 2006, p. 73).

“Relationship marketing is the understanding, explanation, and management of the ongoing collaborative business relationships between suppliers and customers” (Sheth, 1994, apud Hunt et al., 2006, p. 73).

“Relationship marketing is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by a mutual exchange and fulfilment of promises” (Grönroos, 1996, p. 11).
Among these four definitions, the first has a more limited scope – since it deals with the relationships with customers – whereas the others are broader, given that they include other actors besides the customers. Sheth (1994) refers explicitly to suppliers and customers, Grönroos (1996) goes further and includes other stakeholders, and Gummesson (2002) goes even further and does not refer to any particular type of actor, speaking about networks. It is not by chance that this happens. These quotations are cited in chronological order, which leads us to state that the initial conceptions of relationship marketing were more focused on the customers, whereas the more recent ones tend to be more encompassing.

It is in this line that Parvatiyar and Sheth (2000) speak of the narrow versus broad views of relationship marketing. One of the more daring definitions – and also one of the least precise – is that of Morgan and Hunt (1994). On the basis of the work of Dwyer, Schurr and Oh (1987), the authors state that “relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges” (op. cit., p. 22). It should not be surprising that such a broad definition has been criticised by various authors. For example, Peterson (1995, p. 279) states that “if the definition [of Morgan and Hunt] is true, then relationship marketing and marketing are redundant terms and one is unnecessary and should be stricken from the literature because having both only leads to confusion.”

In any event, Morgan and Hunt’s definition has merit insofar as it addresses the distinction between transaction marketing and relationship marketing. Indeed, the process of creating value is different in the two cases, as can be seen in Figure 2. While in transaction marketing the aim is to deliver value to the customer (who will rate it with regard to the results obtained), in the relationship perspective the customer tends to be involved in the process of value creation.

Transaction marketing basically corresponds to the above-mentioned definition that the American Marketing Association adopted up to 2004: “marketing is the process of planning and executing the conception, pricing, promotion, and distribution of goods, ideas, and services to create exchanges that satisfy individual and organizational goals” In other words, transaction marketing – unduly referred to as ‘traditional marketing’ in certain types of
literature – addresses the classical threesome of segmentation, targeting and positioning as well as the management of the 4 P’s, i.e. marketing mix variables.

**Figure 2**

**Exchange versus Relational Perspective**

![Exchange versus Relational Perspective](image)

Source: Sheth and Parvatiyar, 1995, pp. 400 e 412 (adapted)

Although the literature distinguishes transaction marketing from relationship marketing, there is some consensus on the fact that the two approaches do not constitute extreme points or alternative opposites, and that they should be viewed as a continuum (Grönroos, 2007; Gummesson, 2002). This means that a company can adopt a more transaction-oriented marketing or a more relationship-based approach (Figure 3). Gummesson (2002), quoting Jackson (1985a), states that “relationship marketing can be extremely successful where it is appropriate – but it can also be costly and ineffective if it is not. Conversely, transaction marketing can be profitable and successful where it is appropriate, but a serious mistake where it is not” (op. cit., 18).
A slightly different perspective from that of Grönroos and Gummesson – for whom transaction marketing and relationship marketing are the poles of a continuum – is that of Pels et al. (2000). These authors suggest that it is not a question of a company assuming a posture that is more transactional or more relationship-oriented. To the contrary, “the transactional paradigm and the relationship-oriented (as well as the relevant approaches to the practice of marketing that they imply) are both appropriate,” (op. cit., p. 16). In other words, transaction marketing can be regarded as the base, i.e. the ‘foundations of the house.’ Without a correct segmentation of the market, without a choice of the targets, without an adequate positioning, without an effective management of the marketing mix variables, a company will be hard pressed to succeed. The question is not to be less transactional in order to become more relationship-oriented, or vice-versa. The question is in having to become transactional (because this is probably the basis of the approach) then being able to more or less pursue a relationship management. As these authors asserted (p. 16), everything depends on “the context of the market, the perception or interpretation that the buyer and seller have of this
same context, as well as their perceptions on the way that the interaction can influence their situation in the market.”

A similar position was recently contended by Kristian Möller at the 36th EMAC Conference held in May of 2007. In the presentation he made there, the author began by affirming that “an important theme in the theory discourse is the strong criticism directed towards the Managerial School of Marketing (Sheth et al., 1988), and especially to the Marketing Mix framework. This criticism is quite diverse. Grönroos (1994), for example, suggested that the [marketing] mix is void of theoretical foundation, forming primarily a mnemonic device for students and managers (Dixon and Blois, 1983)” (Möller, 2007, p. 1). The Managerial School of Marketing is that which – set upon the triad of segmentation, targeting and positioning – asserts that marketing management is done essentially on the basis of a series of variables that, taken together as a whole, constitute the marketing mix. Philip Kotler is generally considered the most representative author of this school (cf. Kotler, 2002). This paper does not aim to discuss the criticism of that school of thought – for those so interested, a comprehensive view can be found in Constantinides (2006) and Vargo and Lusch (2004). However, Möller (2007, p. 5) concludes that “the Managerial School of Marketing provides still the best approach for those marketing management decision contexts where there exist a market of customers or a set of customer relationships, which are characterized by market like exchange conditions”.

To sum up, there are two broad aspects to be kept in mind. First, it is not a question of opting for relationship marketing or transaction marketing. The marketing approach of an organization is simply one of a relationship-oriented nature, be it to a greater or lesser degree. Second, relationship marketing, far from being a panacea that is in fashion, should only be used in proper measure, with regard to the dictates of market conditions and the needs of the company.
4. Current Streams of Research

Finally, let us consider the current schools of thought with respect to those aspects of relationship marketing that have already been touched upon. There are two fields of research that must be mentioned: the Nordic School and the IMP Group.

The Nordic School
Emerging from research undertaken primarily in the services field, important contributions in the area of customer loyalty and satisfaction are owed to this school. In general, it is assumed that the latter depends on the perceived quality, and for its part, is determined by two types of factors: the expectations of each customer in relation to the service to be offered and the perception of that service after it has been rendered.

It is fitting here to recall two important things. First, from the marketing point of view, quality is something that is the result of one’s perceptions. This means that the quality of any service can be seen in a distinctively unique way depending on the customer, since these perfectly individual perceptions correspond to what each person understands by the service. On the other hand is the issue of expectations. Indeed, quality that is perceived does not depend solely on the perception of what is being offered, but also takes into account the comparison that the customer will make of that perception and the way it meets the expectations that he/she had. Prominent names in this school of thought are the ones previously mentioned, Christian Grönroos and Evert Gummesson (Grönroos, 1990, 1994, 1996, 2000, 2006a, 2006b and 2007; Gummesson, 1991, 1993, 1996, 1998 and 2002).

IMP Group
The IMP Group – Industrial Marketing and Purchasing has some of its roots in Scandinavia although it has important research centers in the United Kingdom (namely the Universities of Lancaster, Manchester and Bath) and in France, with a special mention to Lyon. Portugal should also not be left out, with a group of recent researchers spread out among the Universities of Porto, Minho and Técnica in Lisbon (Brito, 1999; Brito and Roseira, 2007; Eiriz and Wilson, 2006; Mota and de Castro, 2004; Proença and de Castro, 2007).
Quite centered in relationship studies, some of the most important theoretical developments coming out of the IMP Group are the interaction and network models, with a particular emphasis on an integrated and dynamic vision of the relationships established among actors, activities and resources. Prominent authors are Håkan Håkansson, Lars-Gunnar Mattsson, Jan Johanson, Geoff Easton, David Ford, Peter Turnbull and Luís Araújo (cf. Araújo, Dubois and Gadde, 2003; Axelsson and Easton, 1992; Ford et al. 1998, 2006; Håkansson, 1982, 1987, 1989; Johanson and Mattsson, 1985; Turnbull and Valla, 1986).

The Anglo-Australian School

In addition to the research undertaken by the Nordic School and the IMP Group, worthy of note are the works of by the Anglo-Australian School. We refer specifically to the studies of Francis Buttle (Buttle, 1996 and 2004), and Martin Christopher, Adrian Payne and David Ballantyne (Christopher, Payne and Ballantyne, 1991, 2002; Payne, Ballantyne and Christopher, 2005). Although today this group of authors is dispersed throughout the United Kingdom and Australia, their common denominator and origin is the Cranfield School of Management, where all four studied.

To Buttle, credit is due for developments in the area of CRM (customer relationship management) and quality management, while for the other three authors, among other contributions, special mention goes to the Six Markets Model. Essentially, this is a tool that deals with relationship management with the main stakeholders of a company: customer markets, supplier and alliance markets, internal markets, recruitment markets, influence markets and referral markets.

Relationship Approach to Branding

A final mention goes to the research done in the field of relationship branding. Although it does not appear as a ‘school’ of relationship marketing in the literature, the pioneering work of Susan Fournier in the field of the relationship between consumers and brands cannot be left out. With a doctoral thesis entitled, “A Person-Brand Relationship Framework for Strategic Brand Management” (1994), Fournier initiated a stream of research that brings together two areas of knowledge: brand management and consumer psychology.
Fournier’s central idea is that customers establish relationships with brands not only because they offer functional benefits or because they simply like them. Customers tend to establish relationships with brands in such a way that, during their life, they increase in value and significance over time. Some of these aspects can, in fact, be of a functional nature if they result from a utilitarian component of the brand. But others can be emotional with regard to the feelings they display. Beyond Fournier, (1995, 1998), there is an important set of researchers who have approached brands from an eminently relationship-oriented point of view, such as Aaker (1997), Aggarwal (2004), Fletcher and Simpson (2000) and Lindberg-Repo and Brookes (2004).

5. CONCLUSION

Relationship marketing is today one of the areas with the most expression in the field of marketing, recognized not only by academics but also by practitioners. Its application in the business world is ever more visible. It is not only the multiple direct marketing configurations that are being increasingly utilized and which enter the field (not being restricted to physical mail) as mobile marketing. It is the individualization of products, it is the increasing use of services, it is loyalty programs – in fact, it is the multiple channels of interaction with the customer.

However, beyond the practical side, relationship marketing is a field with a high potential for scholarship, given the multi-disciplinary nature of the issues that it encompasses, grouping together studies that span areas such as services and distribution channels and extend to brand management, quality and customer loyalty. It spills over from the specific field of marketing and involves others, such as information systems (given the growing importance of information and communication technology) and strategic organization, with the question of new business models.

One thing is true: this is a field of research that, dealing with the developments that have been taking place, cannot be discounted by those who, either from a theoretical or practical point of view, wish to keep themselves up-to-date in the context of marketing.
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<table>
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<tr>
<th>Nº</th>
<th>Author(s)</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
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<td>267</td>
<td>Argentino Pessoa</td>
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<td>February 2008</td>
</tr>
<tr>
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<td>Argentino Pessoa</td>
<td><em>Public-Private Sector Partnerships in Developing Countries: Are Infrastructures Responding to the New ODA Strategy</em></td>
<td>February 2008</td>
</tr>
<tr>
<td>264</td>
<td>Jorge M. S. Valente and José Fernando Gonçalves</td>
<td><em>A Genetic Algorithm Approach for the Single Machine Scheduling Problem with Linear Earliness and Quadratic Tardiness Penalties</em></td>
<td>January 2008</td>
</tr>
<tr>
<td>263</td>
<td>Ana Oliveira-Broacho and Francisco Vitorino Martins</td>
<td><em>Determining the Number of Market Segments Using an Experimental Design</em></td>
<td>January 2008</td>
</tr>
<tr>
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<td>João Correia-da-Silva</td>
<td><em>Agreeing to disagree in a countable space of equiprobable states</em></td>
<td>January 2008</td>
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<td>Ana Oliveira-Broacho and Rui Cunha Marques</td>
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<td>December 2007</td>
</tr>
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<td>December 2007</td>
</tr>
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<td>November 2007</td>
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<td><em>Why Should Happiness Have a Role in Welfare Economics? Happiness versus Orthodoxy and Capabilities</em></td>
<td>November 2007</td>
</tr>
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<td><em>FDI and Host Country Productivity: A Review</em></td>
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<tr>
<td>250</td>
<td>Jorge M. S. Valente</td>
<td><em>Beam Search Heuristics for the Single Machine Scheduling Problem with Linear Earliness and Quadratic Tardiness Costs</em></td>
<td>October 2007</td>
</tr>
<tr>
<td>244</td>
<td>Rui Henrique Alves and Oscar Afonso</td>
<td><em>Fiscal Federalism in the European Union: How Far Are We?</em></td>
<td>July 2007</td>
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<td>241</td>
<td>Sandra T. Silva, Jorge M. S. Valente and Aurora A. C. Teixeira, “An evolutionary model of industry dynamics and firms' institutional behavior with job search, bargaining and matching”, April 2007</td>
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<td>231</td>
<td>Carlos Alves and Cristina Barbot, “Do low cost carriers have different corporate governance models?”, November 2006</td>
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<td>228</td>
<td>Argentino Pessoa, “Public-Private Sector Partnerships in Developing Countries: Prospects and Drawbacks”, September 2006</td>
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