

Total Relationship Marketing: Experimenting With a Synthesis of Research Frontiers

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ABSTRACT

This article examines theoretical contributions to a comprehensive relationship marketing concept, *total relationship marketing*. With reference to modern natural sciences and the new mathematics as well as social sciences, the author claims that interaction in networks of relationships constitutes both the essence of life itself and the essence of society. Marketing is myopic in just applying the perspective of its own discipline and not properly considering the context within which marketing operates. The article offers an overview of the contributions to total relationship marketing from traditional consumer goods marketing, services marketing, business marketing, total quality management, new organisation theory, and new accounting theory. The article is the outcome of inductive and theory-generating research.

DEFINING TOTAL RELATIONSHIP MARKETING

This article is about marketing as interaction within networks of relationships. Its purpose is to contribute to "the big picture" of the current state of relationship marketing. Is it possible to give an objective, complete and generally valid picture? Of course not! This article is my expert—yet personal—opinion, and in accordance with the *traditional marketing concept* its value is in the eye of the beholder; it is a matter of market acceptance, customer satisfaction and customer perceived quality. According to recent research and practice in marketing and management, however, *interaction* is the key to value creation. Within this spirit the text offers interaction between the author's mind and the minds of individual readers, as well as with communities of readers. Value creation through interactive co-production is well established in services marketing (see, for example, Grönroos 1990; Lovelock, Patterson and Walker 1998), but it is increasingly treated in a more general marketing sense (Normann and Ramírez 1993; Wikstrom, Lundquist and Beckérus 1998).

The article is driven by a passion for syntheses, to see contexts and the interconnections between phenomena. This is my present state of knowledge, or, using the more modest expression coined by Donald Coase—considered to be the originator of transaction cost analysis—in his Nobel Prize lecture in 1991: "my present state of ignorance."

In my research and writing on relationship marketing, I attempt to integrate whatever contains the three variables that recurrently appear in the new approaches to marketing and management theory and practice during the past two decades: *relationships*, *networks* and *interaction*. The unifying core concept has become *total relationship marketing* defined as follows (Gummesson 1999, p.24):

"Total relationship marketing is marketing based on relationships, networks and interaction, recognising that marketing is embedded in the total management of the networks of the selling organisation, the market and society. It is directed to long term win-win relationships with individual customers and other stakeholders, and value is jointly created between the parties involved. It transcends the boundaries between specialist functions and disciplines."

Total relationship marketing is made tangible and operational through the definition of thirty *market*, *mega* and *nano* relationships, the 30Rs. Market relationships refer to those relationships that operate directly in the market such as supplier-customer relationships and relationships to competitors. Mega relationships operate on the societal level and concern relationships to authorities, the media and so on. Nano relationships exist on the organisational level, for example, relationships between internal customers.

There are also other comprehensive concepts of relationship

marketing; see for example Christopher, Payne and Ballantyne (1991), Morgan and Hunt (1994), and Brodie et al. (1997). More often, however, relationship marketing is presented in a narrow sense such as one-to-one marketing, dialogue marketing, database marketing, or the use of customer clubs.

Total relationship marketing argues that a paradigm shift is taking place in marketing. Within the academic dialogue, doubts have been expressed against such claims; see Blois (1996), Mattsson (1997), Bliemel and Eggert (1998), and Möller and Halinen-Kaila (1998).

Why did the general interest in networks of relationships take off in the 1990s? We are offered rationalistic "explanations" that growing globalisation, fiercer competition, IT, and the service-dominated society demand relationships. But alliances, vertical and horizontal integration, make-or-buy decisions, mergers and acquisitions, conglomerates, global companies, technology development, and services, are not new. According to mainstream marketing management and economics textbooks—which are expected to review marketing theory and practice—relationships hardly exist. It is obvious, however, that relationships have always been omnipresent in the past, and have always been in the focus of business.

Marketing management arose as a theory in the industrial era of mass manufacturing and anonymous mass marketing of packaged and standardised consumer goods. In the industrial era in general, however, mass marketing was not in the driver's seat. Manufacturing companies and governments became large buyers and personal networks of relationships were established in business marketing. Services marketing was interactive before, during and after the industrial era, but was neglected in theory and education until the 1980s. In practice interaction often was—and still often is—badly managed, resulting in dissatisfaction with service quality.

Competition has long been the key characteristic of the market economy, both in marketing and economics. The contemporary interest is manifested in the deregulation and privatisation wave that started in the 1980s, and the continuous flow of books on competitive strategy bringing to the fore strategies of differentiation and more fierce and global hypercompetition (Porter 1980; 1985; Ohmae 1985; D'Aveni 1994; Moore 1996). Relationship marketing has given recognition to *collaboration* as part of the market economy; this is likely to be its most crucial and lasting contribution to marketing (see also Alderson 1965; Gray 1989; Solomon 1992; Mattsson and Lundgren 1992-93; Brandenburger and Nalebuff 1996; Doz and Hamel 1998). The concept of *marketing equilibrium* (Gummesson 1997; 1999) combines competition with collaboration but also embraces a third element: *institutions/regulations* as advocated by North (1993). The dynamic balance between the three elements of competition, collaboration and institutions/regulations constitute a necessary

condition for a market economy to function.

To look at marketing at a substantive marketing level may appear natural and practical. However, marketing is a subset of business and management, which in turn is a subset of society that is a subset of life in general. A narrow marketing vantage point makes us myopic and we fail to see the context within which marketing operates. This article turns the perspective around and begins at the very top, at life itself and the natural sciences, succeeded by social life and social sciences in general; only then it arrives at marketing and management (Figure 1). *If marketing theory had applied this view earlier, it could not have missed the crucial influence of networks of relationships.*

The remainder of the article will guide the reader through Figure 1.

LIFE AS A NETWORK OF RELATIONSHIPS

This is a brief discourse on contributions from natural sciences that could be used to expand our view on relationship marketing. For some, the transfer of theories from natural sciences to social sciences is considered pseudo-science. Paradoxically, the very same people advocate the use of old mathematics on social issues, all the way from Euclid's geometry (approx. 300 BC) to the mechanical worldviews of Galileo (1564-1642), Descartes (1596-1650) and Newton (1642-1727) and later developments in statistical theory. The mainstream claim in academic business research is that statistical hypothesis testing, operational definitions, clearly defined independent and dependent variables, cause and effect studies of two (or sometimes a few more) variables, experiments with control groups and representative averages of aggregated statistical data constitute true science, even the only true science. The scientist is guided by laws, rules and peer consensus in the same way as bureaucracies are controlled.

For others, including myself, natural sciences are a source of inspiration. Modern natural science theories deploy new mathematics and logic from the 20th century. This includes systems theory, chaos theory, fractal geometry, autopoiesis and self-controlling systems and others. They can be used in a variety of ways. The least controversial is to use them as metaphors in order to make a phenomenon stand out in a brighter light.

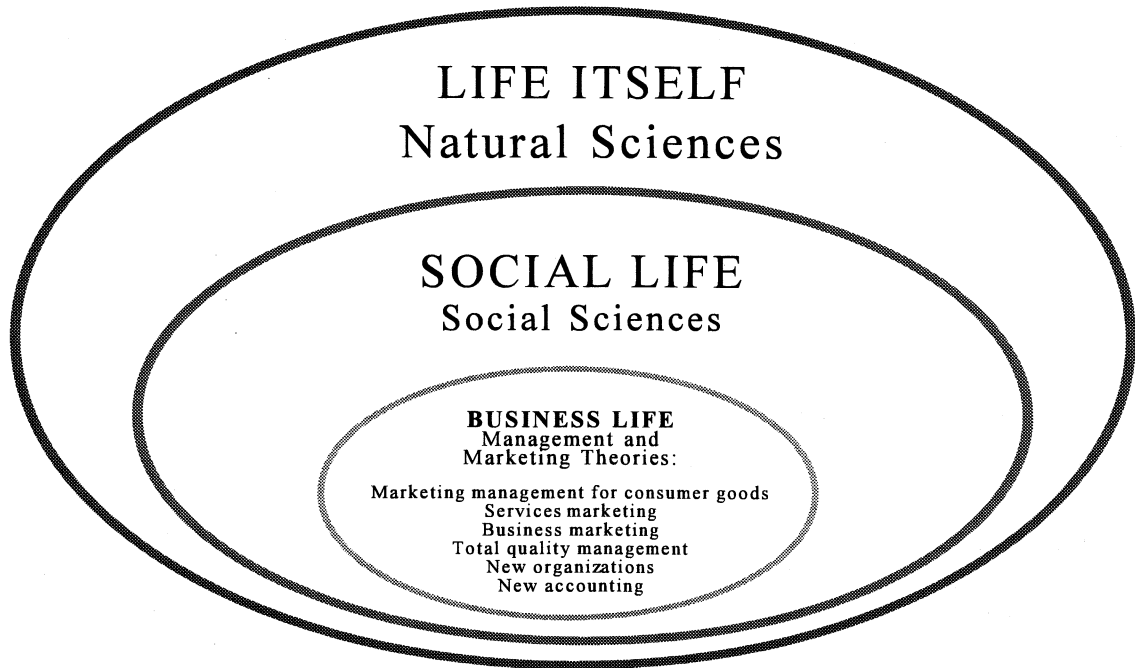
In new mathematical approaches networks, as patterns of relationships within which interaction takes place, are stressed. These are the same core variables that are stressed in total relationship marketing. Contrary to the conventional view of the natural sciences being ordered, controlled and objective, the new mathematics and its applications deal with complexity, ambiguity, fuzzy definitions, consciousness, intuition,

experience, tacit knowledge and a holistic and systemic view. As this is a big subject I will not even attempt to prove anything, only, through some examples, tease (or perhaps upset) the mind of the reader:

- Life is an emergent quality, it emerges from the interaction of a large number of elements. It is not a quality in a single element and thus the study of a single element teaches you nothing (Norretranders 1991, p. 479).
- Neural networks used in computers build on successive learning. Through a large number of cases—experience—they are trained to develop a pattern of behaviour through self-organisation. Their behaviour is not based on a set of rules (Norretranders 1991, p. 478; Capra 1997).
- Say Zohar and Marshall (1993 p. 100): "For the physicist, *measurement* is a way of looking at the situation...*Attitude*...is the human equivalent of measurement." Inspired by the quantum theory of physics, they continue (p. 64): "Persons are not quite the same as solitary individuals, nor are they a crowd. Persons are living networks of biology and emotions and memories and relationships. Each is unique, but none can flourish alone."
- Certain networks are dependent on geographical space and proximity (the *marketplace*), for example the dense and flexible development and production networks in Silicon Valley in the US, Sophia-Antipolis in France, Emilia Romagna in Italy, and the towns of Kista and Gnosjö in Sweden. Others are non-geographic, such as the *market space* provided by an infrastructural network, the Internet. Physical networks—such as railroads—are necessary conditions for the social networks that travelling gives rise to.
- During the 1950s, biologist Rashevsky introduced a relationship biology to identify and characterise living organisms. He used graphics to illustrate patterns of relationships. In marketing we have not yet found a language to show networks of relationships. "We are searching for a language to be able to overview economic networks and to analyse their processes of emergence, restructuring and decay," says economist Börje Johansson (1990 p. 61).
- And finally a conclusion based on Capra (1997): Life is a network of relationships. Instead of searching for simplistic and general cause and effect relationships, we should search for individual patterns of interactive relationships.

Some authors have slowly begun to treat natural science and new mathematics in the specific context of management and marketing (see Gustavsson 1992; Stacey 1996; Morgan 1997; Zohar 1997; Gummesson 1999). An overview of network theory from a natural science perspective is found in Karlquist (1990).

Figure 1: Management and marketing in a proper perspective.



SOCIETY AS A NETWORK OF RELATIONSHIPS

The notion that mind and matter—and consequently social sciences and natural sciences—should be two distinct categories on which to found science is arbitrary. It has been chosen as an axiom in Western science, but is not based on any specific evidence; it is no more than an assumption mistaken for an absolute and useful truth. By relaxing this assumption we are free to view both life itself and social life as networks of interactive relationships.

It is easy to show that society is a network of relationships in which interaction takes place. If we dissolve the social networks of relationships, the earth is left with five billion independent and self-sustaining hermits. In that case no marketing is needed. The short-term reason is that hermits lead a solitary life. The long-term reason is physical; the human race will be extinct after one generation.

As consumers and citizens we are surrounded by relationships in our daily lives. We have friendly relationships with our family, professional relationships with colleagues at work, and commercial relationships with stores. Driving a car is a complex social interaction with other drivers in a network of roads. People have girl friends or boy friends, go steady, marry, have affairs, divorce. Many have used matrimony as a metaphor for business relationships: to enter into marriage with a customer or to divorce a supplier.

Social relationships are a natural and generally applied part of much of marketing practice. Examples are Ericsson who

has expanded and remodelled its global network for 120 years, the Japanese keiretsus, Chinese guanxies, global ethnic networks, the British school-tie, and loyalty to the local bar.

Wilkinson and Young (1994) suggest the metaphor of "business dancing" and Wilkinson et al. (1998) treat the networks created through export groups as "dance parties". Dancing is a dynamic relationship. You can invite somebody to dance. It can be a smooth waltz, but you can also step on your partner's toes.

MARKETING AND MANAGEMENT AS NETWORKS OF RELATIONSHIPS

From the broad perspectives of life itself and society, let us now address the developments in the substantive areas of marketing and management.

This section could be divided into two hierarchical tiers with management as the upper tier and marketing as a subordinate speciality. I prefer, however, to treat them as one, and to approach marketing management as *marketing-oriented management*. Viewing it this way, the relationship between other management disciplines and marketing becomes a matter of perspective rather than one of several compartmentalised specialities.

As Figure 1 displays, six groups of theories from marketing and management have influenced the evolution of the total relationship marketing concept: traditional marketing management for consumer goods, services marketing, business

marketing, total quality management, new organisation theory, and new accounting theory.

My procedure for exploiting and interpreting these contributions to marketing-oriented management is inspired by the inductive research strategies of grounded theory. Grounded theory is derived from real world data which may either emerge from the researcher's original field studies or may appear in extant cases, concepts and theories. As in all qualitative research, constant comparison between data is a key strategy (see further Glaser and Strauss 1967; Glaser 1998; Lowe 1998; Gummesson 1999).

The six contributions will be explained in the next sections.

Marketing Management for Consumer Goods

The first marketing theory to be discussed represents the reigning paradigm of marketing. Although total relationship marketing offers a different foundation for knowledge—in my view even a different paradigm—the existing stock of knowledge should not be discarded. Nor should it be the guiding star into the future.

The definition of marketing suggested by the American Marketing Association—and which tends to become official and authoritarian—is based on a marketing management and marketing mix approach (AMA 1985): "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 organisational objectives."

Within the spirit of traditional marketing management and its roots in neo-classical economics, suppliers and customers are perceived as independent units in the market. Using a mix of controllable means, often described as the 4Ps—product, price, promotion, place—or sometimes a few more Ps, the supplier exercises an impact on the market. Some conditions are uncontrollable by a single firm, such as the general economic situation. How much of the means and conditions the supplier can control depends on power, creativity, persistence and coincidence.

The marketing concept—using customer needs as the takeoff runway for marketing—is still valid. In its practical application of marketing management and the 4P approach, it has led to a manipulative attitude to people. The consumer is a black box with perhaps a peep-hole. Marketing management offers a stimulus-response model reminiscent of the fisherman's relationship to the fish. If the bait is exposed to successful product development, the fish will bite and it is hooked. The supplier and its salespeople are the active party. Sometimes the consumer is pig-headed and rejects an offering. Conclusion: we used the wrong bait or the packaging was not attractive enough. To face such a challenge—"Never take no for an

answer!"—and turning it to our advantage is part and parcel of an aggressive marketing and sales culture.

Baker (1998 p.10) advocates rediscovery of marketing and "...a return to the basic values that underpin the essence of the true marketing concept...as being founded on mutually satisfying exchange relationships." The quotation stresses mutuality and relationships; his article further stresses long term relationships as opposed to single transactions, interactive communication, and a win-win attitude.

Marketing management and its mix has its empirical and experiential roots in the mass marketing of standardised consumer goods. Such goods are usually packaged, branded, promoted through advertising, and piled on shelves in self-service stores. The relationship between the personnel of the store and the consumer is minimal and left to brief encounters at the cash register. The stores are "service factories" and the service consists of store location, opening hours, and goods attractively exposed at seemingly favourable prices. Sales through independent small stores and stores with personal service are frugally treated in theory and education.

This consumer goods-based marketing management approach has been proclaimed as general. Its generality has been established through logical deduction—what grounded theory labels "forcing"—and not by natural emergence from real world data. Consequently, its general qualities are not properly established.

Textbooks with "marketing management" in the title offer a review of marketing management and marketing mix thinking. Although there is no relationship focus in the traditional marketing management literature, it has contributed greatly to our understanding of certain specific marketing mechanisms. Much of this knowledge is also relevant within a relationship paradigm, although it might be interpreted in a different light. For critical reviews of the theory and practice of traditional marketing management see, for example, Browlie and Saren (1992), Grönroos (1994), and Brown (1995).

Services Marketing: Recognising the Service Encounter

With the emergence of services marketing, *interaction* and *relationships* were brought forward as core marketing concepts. Literature on services marketing is focused on the *service encounter*, that is the interaction between customers and service provider employees. The simultaneous production and consumption process, the presence of the customer, and the customer's role as co-producer form the pivotal distinguishing properties between goods marketing and services marketing. The encounter also includes customer-to-customer interaction, interaction with the physical products and the environment (the "service scape") as well as the whole

service system. The recognition that marketing and production partly operate in tandem and that value is co-produced with the customer supports the effort of modern quality management to bridge the gap between marketing and operations functions. The service experience, customer perceived quality and service productivity are the outcome of efforts from both the provider and the customer.

Services marketing clearly puts emphasis on a more general marketing issue, that marketing is performed by each and every one, not only by the full-time marketers; everybody is at least a part-time marketer. This is an old issue which has been observed by many, but it keeps bouncing back as news (see for example McKenna 1995).

In reality there are no such things as manufacturing companies and service companies; goods and services always appear in symbiosis, but in varying proportions. As a consequence, it is advisable to use goods and service as *perspectives* rather than as strict categories of companies or industries. Marketing management has been stuck in a goods perspective and the major contribution of services marketing is to rectify this imbalance.

During the 1980s and 1990s services marketing textbooks that offer overviews of the discipline have been published; recent examples are Zeithaml and Bitner (1996) and Lovelock, Patterson and Walker (1998). Its short history has been written by Berry and Parasuraman (1993), and Fisk, Brown, and Bitner (1994); for a "Nordic School" perspective see Grönroos and Gummesson (1985). The development of relationship marketing within services marketing is treated by Payne (1993) and Berry (1995). Gummesson, Lehtinen and Grönroos (1997) discuss "Nordic School" contributions to relationship marketing not only from services marketing but also from network-based business marketing, the subject of the next section.

Business Marketing: IMP and the Network Approach

The network (or markets-as-networks) approach is a designation for developments in marketing thought from the IMP Group (International/Industrial Marketing and Purchasing Group). Beginning in the 1970s in Sweden it has spread and today nurtures a growing community of researchers world-wide.

According to the basic beliefs of the network approach, a company "... can be viewed as a node in an ever-widening pattern of interactions, in some of which it is a direct participant, some of which affect it indirectly and some of which occur independently of it. This web of interactions is so complex and multifarious as to deny full description or analysis. Indeed, the interaction between a single buyer and

selling company can be complex enough..." (Ford, Håkansson and Johanson 1986, p. 26-27).

A similar approach to business marketing was taken by Jackson in the late 1970s and early 1980s in the United States (Jackson 1985). In her approach, the long-term strategy of relationship marketing was contrasted to the behaviour within the traditional marketing management paradigm, termed *transaction marketing*. The focal point of transaction marketing is the single deal without any planned effort to create a sustaining customer relationship.

In studies of relationships, networks and interaction, a series of general properties have emerged. For example, in the network approach a distinction is made between three types of connections that together form a business-to-business relationship. *Activity links* embrace activities of a technical, administrative and marketing kind; *resource ties* include the exchange and sharing of tangibles such as machines and intangibles such as knowledge; and *actor bonds* are created by people who interact, exert influence on each other, and form opinions about each other.

Network research is essentially inductive and shaped by real life cases of business marketing with particular emphasis on international trade. In a strict sense the theory only qualifies for business marketing. By comparing its results with other theories and data, however, three indicators of generality can be discerned. First, its emphasis is on marketing-oriented management rather than marketing management, as it also embraces purchasing, design and manufacturing. Just like in service research, it has been found that marketing cannot be isolated as an independent function but is rather an attitude to management. Second, its results give food for rethinking marketing approaches to consumer goods as well as to services. Finally, marketing situations are rarely clear cut as almost all companies sell both to consumers and organisations.

The Nordic School in particular has benefited from the network approach (Gummesson, Lehtinen and Grönroos 1997). The IMP advocates have to a lesser extent exploited the results of service research. They do not treat services as distinctive types of offerings; goods and services alike are subordinate to the networks in which they appear (exceptions are to some extent found in, for example, Sharma 1990; and Axelsson 1996). Although several IMP researchers have found relationship marketing to be an extension of or a partner to the network approach, others dismiss it by claiming that relationship marketing deals with consumer marketing; it does not heed networks but rather multiple dyads; it ignores actors outside the dyad; and even that relationship marketing does not make the existence of the relationship phenomenon credible (Easton and Håkansson 1996, p. 411-412). This, however, should not dishearten others from making their interpretations and use

move from the *exclusive* organisational structure—one that excludes and delimits—to the *inclusive* structure—one that includes and unites.

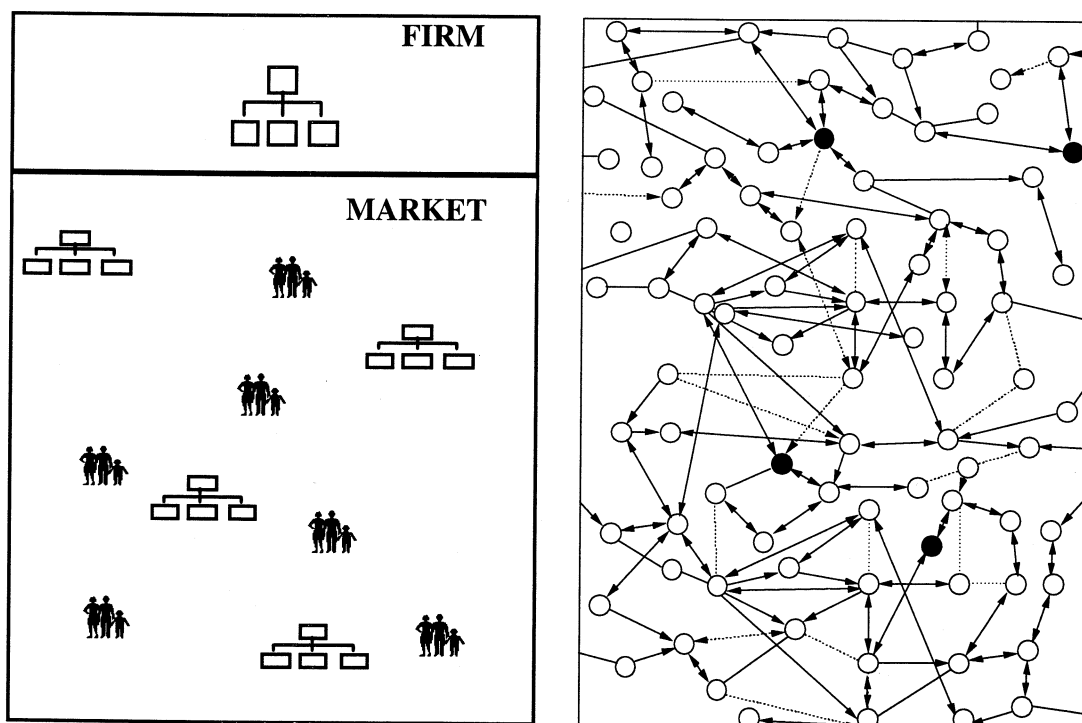
Looking at business as relationships, networks and interaction makes it immaterial to pinpoint the beginning and the end of a company. We need new concepts and models in order to obtain mental access to this reality. The picture on the left in Figure 3 shows the traditional terminology, the company as a clearly defined, hierarchical structure separated from the market of distinctly identifiable customers, both other organisations and consumers. To the right, we see a network of relationships which contains all types of actors. In this network, we can define clusters of relationships and for a specific purpose call them organisations. The black dots represent core competencies and business missions that motivate the existence of organisations.

In working with relationship marketing, marketing and organisation gradually stood out as two expressions of the same thing, a changing business landscape with a changing logic. My conclusion became that *relationship marketing represents a marketing perspective for a network-based organisational structure, the imaginary (or virtual) organisation*. The direction of cause and effect is not evident. It may rather be that there is a circular causality, a reciprocal, constructive dependency between the two.

The concept of the imaginary organisation helps us to focus on the nano relationships and their link to the market and mega relationships of total relationship marketing. According to Hedberg et al. (1997, p. 13) an imaginary organisation is "...a system in which assets, processes, and actors critical to the 'focal' enterprise exist and function both inside and outside the limits of the enterprises conventional 'landscape' formed by its legal structure, its accounting, its organigrams, and the language otherwise used to describe the enterprise."

My guess is that imaginary organisations—just like relationship marketing—have been there for a long time, perhaps forever. A series of approaches to organisation point in similar directions as the imaginary organisation with relationships, processes and projects as more essential than hierarchies and functional departments. Among such approaches are the federative organisation and the "Triple I" (intelligence, information, ideas) organisation (Handy 1990, pp. 117ff, and pp. 141ff); the spider's web organisation and the starburst organisation (Quinn 1992, pp. 120ff and 148); the cluster organisation (Mills 1991, p. 31); the team-based organisation (Tjosvold 1993); and the transcendent organisation based on collective consciousness (Gustavsson 1992).

Figure 3 The traditional image of the firm and the market in systems theory, transaction cost analysis, and economics (left) versus the complex network reality (right) (Gummesson, 1999).



Accounting Theory and Return on Relationships (ROR)

In business life it is imperative to monitor the financial impact of activities; the bottom line is magic. A crucial question is: Is it the short-term bottom line or the long-term bottom line that provides the magic? The current obsession with shareholder value creates a short-term perspective whereas relationship marketing advocates a long-term perspective. These perspectives are often incompatible. When managers ask the question "Does relationship marketing pay?" the answer has to be broadened to include both short term and long term considerations.

I would like to propose the concept of *return on relationships* as an umbrella under which are gathered accounting approaches pertinent to total relationship marketing. The following definition is suggested: *Return on relationships (ROR) is the long-term net financial outcome caused by the establishment and maintenance of an organisation's network of relationships.* Some aspects of ROR developments will be discussed below.

Lifetime value of customers is stressed by many authors. Heskett et al. (1994) offer a service-profit chain embracing satisfaction, loyalty and profitability. Similar ideas are further elaborated by Reichheld (1996) who has found that long-term customer relationships generally pay, and that the return per customer grows continuously over time. He acknowledges that a company must also retain employees and investors; without a stable relationship to them it is not possible to pursue a long-term customer retention strategy. This brings us to the total relationship marketing approach where we see relationship marketing in a broad network context and that there are also other market relationships; there are mega relationships on a societal level and nano relationships on an organisational level. Håkansson and Snehota take this further (1995, pp. 384-385): "What makes the economy of relationships so special is indeed that a relationship has functions (has economic consequences) for several actors and thus that the outcomes of different relationships are interdependent... Thus it is not enough for any actor to be concerned just about itself in order to be successful, as is suggested in all recommendations based on market theory."

As numbers from accounting exert a significant influence on decisions and practices by being continuously reported to top management, supportive accounting is an antecedent to total relationship marketing.

New accounting theories and practices, most notably the *balanced scorecard*, register indicators of other types of capital than the traditional financial capital. The original balanced scorecard contains indicators in four groups of capital:

financial, customer, internal business process, and learning and growth (Kaplan and Norton 1996).

Extant accounting practices do not catch the value of customer relationships. A balance sheet consists of tangible assets, above all, money, inventory, machines and buildings. Within this logic the employee is worthless, while the chair on which she sits represents value. The customer has no official value. However, when a company is taken over or its stock is traded on an exchange, buyers pay for the intangible assets of goodwill, brands and expected future earnings. During the 1990s, and parallel to the interest in relationship marketing, the interest in brand equity has mushroomed. In total relationship marketing terms, brands, images, names, logotypes and other symbols create a relationship to customers besides the human relationship, called *the parasocial relationship*. Duncan and Moriarty (1998), coming from communications theory, even end up with brands as the core variable and unifying concept in relationship marketing.

In new and broader accounting systems, the concept of *intellectual capital* is challenging the supremacy of short-term *financial capital* (Swedish Coalition of Service Industries 1993; Edvinsson and Malone 1997; Sveiby 1997). Intellectual capital is defined as follows: *Intellectual capital is the total value of a company—the price of its shares—minus its book value.* It means all the assets except those in the balance sheet. The significance of intellectual capital clearly shows in the stock prices of such companies as Coca-Cola, Microsoft and Amazon.com for which the balance sheet only explains a fraction of the price of its stock.

A company's survival and growth is eventually determined by its financial outcome. *The issue is to recognise the long-term importance of intellectual capital for the generation of financial capital, and to gradually convert intellectual capital into financial capital.*

Intellectual capital can be divided into two major types. *Individual capital* consists of employees and their qualities. It includes the individuals knowledge, behaviour and motivation but also his or her network of relationships. If an employee leaves a company, the individual capital vanishes. Employees cannot be owned, that would be slavery. They are "9 to 5 assets".

In contrast, *structural capital* stays if an employee leaves. In a relationship marketing sense, structural capital consists of relationships that have been established with a company as such and are tied to its culture, systems, contracts, brands, and the network to which a company belongs. The more successfully a company ties relationships to its structure, the less dependent it is on individual employees.

Skandia, a Swedish-international assurance and financial group, has acquired a global reputation for experimenting with

the balanced scorecard and intellectual capital indicators. Skandia has developed a list of 111 indicators and a reserve of another 55. This is certainly no shortlist and it should scare off any executive as being too complicated to report, let alone act upon. Of the total number of these indicators, 20 have a financial focus and the others an intellectual capital focus. The following indicators have apparent relevance to relationship marketing (Skandia Annual Report Supplements 1996, 1997; Edvinsson and Malone 1997, pp. 151-158):

- *With focus on the customer:* annual sales/customers, customers lost, average duration of customer relationships, rate of repeat customers, average customer purchases/year, average contacts by customer/year, points of sale, customer visits to company, days spent visiting customers, and a satisfied customer index.
- *With focus on employees, but with consequences for customer relationships:* motivation index, empowerment index, employee turnover, and average years of service with company.
- *With particular focus on customers and the electronic relationship:* IT investment/customer, IT investment/service and support level, number of internal IT customers, number of external IT customers, and IT literacy of customers.

It takes time to select a manageable few of these indicators that uncover useful information. It takes years before time series are established and trends can be discerned. Among indicators that appear in Skandia's most recent annual reports are: availability on the telephone; an index of customer satisfaction; number of customers; retention rate; the ratio between cost for business development and total cost; the ratio between number of employees and IT investment; number of ideas for improvements; and revenue from new services.

Although the new approaches prescribe measurement, it is essential not to discard the non-measurable. Long term effects of vision, leadership and risk taking are not measurable in the short term, and yet they are the essence of management for survival. The investment in customers based on future or even lifetime consumption, particularly of new products and services, cannot be predicted with any certainty or probability. The decisions must be based on experience, common sense, intuition and belief. For example, Swedish Ericsson and Finnish Nokia, who have become world leaders in mobile telephony during the 1990s, would not have existed had they been prompted to prove with numbers, even in the late 1980s, that they were on the right track.

A NOTE ON INFORMATION TECHNOLOGY

As Information Technology (IT) is frequently presented as

the cause and the driver of relationship marketing, the reader might ask where it fits into total relationship marketing. In my view, the current developments in IT epitomise the eternal controversy between marketing-orientation and production/technology-orientation.

The issue in relationship marketing is how IT will influence and change interaction within networks of relationships. Total relationship marketing defines *the electronic relationship* as one of its relationships (Gummesson 1999, p. 83-90). Electronic relationships have their own specific properties and will shape new markets and new modes of operating a business. The Internet with email and websites, and the special applications of intranets and extranets, combined with the rapid penetration of mobile telephony, offer a new network infrastructure. IT has made possible a new type of database marketing and home shopping. Direct marketing data about customers can be stored and processed for targeting customers with surgical precision in ways that were previously too slow or too costly. Computers can be programmed to buy from computers. Computer agents search for information demanded by the buyer. Customers meet on the Internet and form associations and communities to exchange information or build bargaining positions against large corporations, for example car manufacturers. We learn that Amazon.com is the future way of buying books. They have 3.5 million books available for speedy delivery but have no store of books; they do not exist in the physical marketplace but in a networked marketplace.

These applications and others, as well as consumers getting increasingly "wired", are changing both market, mega and nano relationships. However, IT is still primarily presented in technology-oriented terms. I endorse the view of Wikstrom, Lundkvist and Beckérus (1998, p. 17) that the "primary enabler" of new organisations and new marketing is the human being. They continue: "...IT is a secondary enabler and does not live its own sophisticated technological life separated from the possibilities and shortcomings of man...[and]...without a genuine learning attitude in a company, technology alone will not create the interactive business logic." In conclusion, an IT marketing theory, which puts IT into a proper marketing and relationship context, is badly wanted. Efforts in this direction can be found in, for example, Davis and Buchanan-Oliver (1998), and Gabbot (1998).

CONCLUDING COMMENTS

Relationship marketing will never develop beyond a technicality if it is looked upon as yet another add-on to traditional marketing management. The total relationship marketing concept is being developed to broaden our marketing vision and to exploit the full potential of

relationships, networks and interaction. This requires a management approach that goes beyond marketing and sales as departments and specialities. It is obvious that two of the important marketing theories that have emerged during the past twenty years—services marketing and the network approach to business marketing—are equally management theories. The non-marketing management theories of TQM, new organisation and new accounting offer insights into relationship marketing from a total relationship perspective.

The original marketing concept and its focus on customer needs remains viable. Total relationship marketing is more faithful to the marketing concept than consumer goods marketing theory and practice have turned out to be. The focus of relationship marketing is on collaboration, and in its wake follow co-production of value with customers and others; long term relationships instead of single transactions; win-win instead of the gains of just one party; and interaction and communication instead of one-way persuasion.

It took a long time before it dawned on me that life and society can be viewed as patterns or networks of relationships. Marketing needs to lift its eyes above its traditional discipline in order to appreciate the context in which it operates. It should have done so long ago and relationships would have been a natural element of marketing management. Only now are we beginning to discern that the relationship seeds of a paradigm shift in marketing are producing a plant.

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