Broadening and Specifying Relationship Marketing

Evert Gummesson

Based on a presentation at the First International Colloquium in Relationship Marketing, Monash University, Melbourne, Australia, August 1993 and the book Relationship Marketing: From 4Ps to 30Rs. © E Gummesson 1995 (forthcoming).

Evert Gummesson is Professor of Service Management and Marketing
Stockholm University, Department of Business Administration
S-10691 Stockholm, Sweden
tel +46-8-162840, or +46-8-7531434; fax +46-8-153054
Introduction

This paper deals with the content of relationship marketing (RM): its scope, theory connection, and specification in thirty relationships, the 30Rs. The author advocates a broader view of RM and includes not only the direct relationships with the customer but also the indirect, supportive relationships, and other dimensions. The author also discusses the underpinning reasons for the need of marketing relationships. He is critical to the dominating role of the marketing mix theory (the 4Ps) and the American influence on marketing thought. In the author's view, a paradigm shift from the manipulation of customers through the Ps to cooperative relationships, networks and interactions is called for. The paper concludes with consequences of RM to marketing management.

Definition and Scope of Application

My definition of relationship marketing is as follows:

Relationship marketing (RM) is marketing seen as relationships, networks and interaction.

Relationships require at least two parties who are in contact with each other. The parent relationship in marketing is that between a supplier and a customer. Networks emerge when the relationships become many and the complexity increases. In the relationships and networks, the parties enter into active contact with each other. This is called interaction. RM promotes long term customer relationships and loyalty to suppliers.

The interest in RM is growing internationally, even if it is still in 1994 nothing but a footnote or short paragraph in textbooks. A series of examples will show the significance of relationships, networks and interaction and the scope of possible applications.

1. Figure 1 shows three network diagrams out of a total of thirty designed by Liljegren (1988). They concern stages in the relationships between two Swedish companies, Atlas Copco and ABV. Atlas provides equipment for construction work such as pneumatic drills; ABV is a building and construction firm.

Figure 1 Three networks of relationships between two cooperating Swedish suppliers, Atlas Copco and ABV, negotiating a construction project in Ecuador. Top: first contact; middle: the submission of proposals; bottom: final negotiations. Source: Liljegren 1988, pp. 174, 243 and 255. Used with permission.
The diagrams illustrate the negotiations between Atlas and ABV joining forces in order to sell their products and services to a large development project in Ecuador. The network at the top of Figure 1 describes the first contact between the two future partners; the middle network shows the contact pattern at the stage of submitting a proposal to their joint customer; and at the bottom of the figure is the network at the final negotiations. This is an instance of industrial (business) marketing of a complex character; it is international, long term, technologically advanced and involves several companies and a large number of people. The networks grow in diversity as well as change actors, shape and size. Marketing becomes the creation, utilisation and maintenance of this network.

2. The European reservation system Amadeus makes it possible for travel agencies to get online access to time-tables, fares and seat availability of 350 airlines. Through the system they can book tickets, not only to airlines but also to hotels, car rentals and other service providers. In the US, Sabre fulfils a similar function and Amadeus and Sabre can also interact. Membership of a reservation network is a necessity for airlines and other players in the travel arena; it is the foundation of their marketing. Information technology provides such “electronic relationships” to an increasing number of industries.

3. The Swedish Telecom (operator of telephone traffic) and Ericsson (supplier of equipment) jointly own a research and development company, Ellemtel. This is an example of an alliance based on the transfer of knowledge between a buyer and a seller. Through the alliance, new telephone exchanges and cellular phone systems have been developed using the input both from the manufacturing side and the telecom operations side. When a new product is developed, an initial major customer is already secured for the manufacturer.

4. Lizard Island is a classy holiday resort in the Great Barrier Reef, operated by Australian Airlines. There is only one hotel with no more than 32 rooms. The strategy is personal service and quality. Every guest is addressed by name and the staff cheerfully greet everyone. The activity level is high with excursions, snorkling, diving and fishing. Four and five course meals are served at lunch and dinner and consequently the guests spend a long time at the tables. Twice a week the resort manager invites everyone to a cocktail party, and staff who are off duty are expected to mingle with the party guests. All this leads to a high level of interaction between the guests and the staff and between guests. The customer’s perceived quality is largely the outcome of this interaction. The satisfied customers will come back themselves and give referrals to others.

5. Making the customer a “member” is demonstrating interest in keeping the customer. Running a frequent fliers program has become a must for airlines throughout the world. If you are a member of British Airways’ Executive Club and are raised to Gold Card status you earn extra mileage; have access to comfortable lounges with free drinks and snacks; get a twenty-five percent discount on immunisation services at thirty-five Travel Clinics in the UK; priority on waitlists; and the right to check in at a first class desk even if you do not travel first class. Through alliances with Qantas, Singapore Airlines USAir and others, club members can enjoy special favours from these airlines as well. You can also earn points by staying at Mandarin Oriental, The Savoy Group and Hilton hotels or renting your car from Hertz. A large number of industries offer memberships, such as retailing, among them the furniture chain Ikea with its Family Card.

6. Danish industrialist, Maersk McKinney Møller, mixes with kings, presidents, cabinet ministers and the world’s most powerful business leaders. These personal and social relationships on a mega level make it possible for him to influence the market, but also give him access to a “non market network”. The latter consists of those decision-makers who are socially empowered to influence regulations, provide financial assistance, bypass gatekeepers and expedite bureaucratic procedures. This is referred to as megamarketing (Kotler 1986) which is by no means new, but has not previously received a place in marketing. In Japan “keiretsu” links, bidding cartels, and the old-boy network create formidable obstacles for foreign companies. The Japanese corporations do not face the same
problem in the US market which is less dependent on personal relationships. The personal and social contacts are also essential on a yet higher level, such as the creation of the European Union (EU). Lobbyists become important both for influencing agreements and to provide privileged information. In the early 1990s, when the final negotiations about EU took place, the number of lobbyists active in the EU "capital" Brussels grew from 300 to 10,000 in three years.

7. Relationships are created by people in organisations, but also by symbols and images. There are certain brands that have enormous power over the minds of customers. Just think of CocaCola, Rolls Royce, Mercedes, Sony, Disney, McDonald's, Yves Saint Laurent, IBM and Xerox. There is only one Mona Lisa, one Venice, one Sydney Opera house, one Donald Duck, one Charlie Chaplin and one Nobel Prize. Russian caviar, French champagne, red roses and perfume symbolise romance and wealth. Brand names add to the offering and create a "meta product" (Linn 1985) and a "value monopoly" (deBono 1993). They create an emotional relationship to consumers and invite loyalty.

These examples give a flavour of the versatility of RM. In the next section, a more systematic structure will be presented.

Making RM

Operational: Specifying Thirty Relationships, the 30Rs

In establishing a new approach to marketing, it is not enough just to present a philosophy and basic values together with illustrations. It is also imperative to specify which relationships companies should address. I have found thirty relationships, referred to as The 30Rs of Marketing. Based on my book Relationship Marketing: From 4Ps to 30Rs (Gummesson 1994) a sample of these will be briefly presented below.

There are three "classic" relationships of marketing. These are the dyad—the relationship between a customer and a supplier—which is also the parent relationship in marketing; the triad, the relationship between the customer, his present supplier and the competitors; and the network of physical distribution. The content of these relationships and exchange processes may not be the same in RM as it used to be in economics and traditional marketing theory; the perspective is different. The other relationships are supportive to the classic relationships.

The Rs have different properties. Some are primarily market relationships. They are externally oriented and involve a direct contact with customers: the dyad between supplier and customer; the relationship between the many-headed seller and the many-headed buyer in industrial marketing; the triad of customers, suppliers and competitors; the interaction between the customer and the front-line personnel in the service encounter; and the relationship between customers and the full-time marketers (members of marketing and sales departments) and part-time marketers (all other employees). Although some of these relationships primarily concern consumers, others are intercorporate relationships.

There are also other relationships to customers, each of a special kind: the non-commercial relationship; the relationship to the customer's customer; the relationships to symbols and brands; the proximity to the customer vs. the relationship via market research; the customer as member; the relationship to the dissatisfied customer; and the monopoly relationship which holds the customer or supplier prisoner.

Below the market proper we have nano relationships (from the Greek "nanos", dwarf). These mainly internal relationship have not been well explained in the marketing literature although they are necessary for the support of market relationships. Note that the boundaries between what is external to the company and what is internal are not the same as is traditionally assumed. Therefore, it may be more correct to speak of inbound and out-bound relationships. There are even those that encompass both, such as the physical distribution network, when seen as total logistics and just-in-time (JIT) deliveries. Ownership of other companies, such as owning a customer company or a competitor, from a few per cent of their stock and upwards (the owner and financier relationship), makes the boundaries become different shades of grey rather than black and white. Close cooperation through alliances makes it difficult to see where one company starts and where the other ends. The alliances change the free market mechanisms. Conversely, market mechanisms are brought inside the company when former departments and staff units have been made profit centres, or even incorporated. They invoice each other, just like they invoice external cus-
tomers. Novel approaches to relationships within the organisation, such as the notion of internal customers and interfunctional dependency emerge. Internal marketing is marketing directed to the "employee market."

Certain relationships are mega relationships on levels above the market proper. In megamarketing, the real decision-makers may be government officials without whose consent there is no market to address. Megaalliances, such as the EU (European Union), NAFTA (North American Free Trade Agreement), and APEC (Asia Pacific Economic Cooperation Forum) are yet another step above a specific market place or company, but the outcome of megaalliances sets a new stage for marketing.

The relationships concern form and content in various ratios. In the automated "electronic" relationship the form — the conduit — is emphasized. Through the recent developments of information technology, the "electronic" relationship has become predominant in some customer relationships, such as in financial services. We have only seen the beginning of this transformation. It does not mean that personal and social networks are outdated, as is sometimes implied by the proponents of technology. Both are important and supplementary to each other, but their importance will vary and change. The "green" marketing relationship is focussed on content, on how to relate to the ecology and the environment, the growing amount of regulations against pollution, and new customer demands for healthier products.

Organisational issues unite some of the Rs: alliances that change the market mechanisms, the relationship to external providers of marketing services and the ownership and financial "relationships." Some relationships do not exist in the marketing literature at all, although they are practiced in everyday operations. Among those are the "electronic" relationship, the law based relationship and the criminal relationship (organised crime which can constitute a sizable portion of the market in some regions and industries). Other relationships display aspects that are particularly topical and urgent, but are not observed by the marketing literature, notably the "green" relationship and the knowledge transfer relationship (knowledge transfer often being the rationale for alliances).

The relationship can be viewed as a series of concentric circles ranging from the nano relationships to the mega relationships with the market relationships in between. This is shown in Figure 2. The shaded circles — which signify marketing to individuals and mass marketing — are those dominating current marketing textbooks. The general marketing literature also considers marketing to organisations, but to a limited degree. The nano relationships below the market proper as well as the mega relationships above the market are relatively new contributions to the literature and have not become integrated in mainstream marketing theory.

Mega relationships
Inter-organizational relationships
Mass marketing relationships
Individual relationships
Nano relationships

Figure 2 A broadened concept of relationship marketing.
Source: Gummesson 1994. Used with permission.
Why Are Relationships in Focus?

Current theory development, as well as practice since time immemorial, advocate that relationships are basic to business. But what is the real reason behind this? This section will present four major reasons why RM is currently the focus of marketing interest: the new organisational network structures of organisations demand another type of marketing; the need for security and certainty in business; RM as a supplement to competition in a market economy; and finally RM as a reaction against mainstream marketing thinking as expressed in textbooks.

New Organisational Design

The concept of the network organization is closely connected to RM. This has already been shown in the initial examples of relationships, networks and interaction. The description of the 30Rs provided further evidence of the elusiveness of the boundaries of the company.

There are many designations for the new organisational designs, all however with the same nucleus. Apart from network organisation, we hear increasingly about the virtual organisation with an emphasis on the significance of information technology. Even the term imaginary organisation is being used, stressing that organisations exist but are yet difficult to see; we have to "imagine" them (Hedberg 1992/93).

Gradually we are accepting that companies are not clearly defined fortresses. They can be viewed as networks or even as fuzzy sets which take amoeba-like forms (Figure 3). They become boundaryless entities. They try to be both centralized and decentralized, both large and small, both global and local. They continuously change shape by changing the customer relationships on which they are built, and by changing the interactions within these relationships. The network corporation has diverse locations. It adapts quickly to changing needs and provides instant products and services in large varieties so as to cater for individual needs. "Any time, any place," has become a guiding principle. It is difficult to describe and overview. It keeps control of a core business, where it can add value better than anybody else, while outsourcing other activities. Its core is intellectual capital rather than equipment, land and raw material.

Figure 3 Two companies and their relations seen as networks and fuzzy sets. Source: Gummesson 1994. Used with permission.

36 • Asia — Australia Marketing Journal Vol. 2, No. 1
It may consist of 1,300 subsidiaries and a large number of alliances, as does the electrical giant ABB. IBM cooperates with 4,000 organizations in North America alone. Holiday Inn has almost 2,000 hotels that are operated through franchise agreements. These hotels have a central connection to reservations systems but also its own local network of customers, suppliers and others. Also small companies may be networks, in fact that maybe the essence of their business. The small hotel thrives on its regular customers and its close connection to local suppliers, the local bank branch, the local government and others, all of which may constitute their network of family and friends. The glue is the social interaction (Lowe 1988). In addition, information technology and other innovations, faster travelling and better education provide the basis for the network organisation. It also makes it possible for the new breed of small knowledge-based companies, such as independent consultants, to operate with access to a wide range of expertise which they could never employ themselves.

The network organisation is a brother of RM. Brothers have the same parents and the same genes but can yet look different and focus on different things.

**The Need for Security**

Companies need some basic security. Security is associated with words such as promises, honesty, reliability, predictability, stability, fear of being swindled or let down, reduction of uncertainty and reduction of risk.

We want to make certain that promises are kept, both as suppliers and as customers. The supplier should be reliable and deliver the right goods or services at the right time and place; JIT is an extreme instance of this. The customers need to be predictable in certain respects and, for example, not cancel orders or dodge payment.

Security can be sought from four sources as shown in Figure 4.

![Figure 4 Sources of security. Source: Gummesson 1994. Used with permission.](image)

Security can be derived from laws and regulations, but legal security may be delusive. It is often unequal. The stronger party can stall and create unbearable stress for the weaker party. In the US it has gone too far in the other direction when a private person can sue companies and professionals for astronomical sums for minor or unclear damages and win these “frivolous suits” (Ramsey 1991). The notion that a legal contract could cover all aspects of a business deal is often nonsense, particularly when business transactions are complex.

If the knowledge of the customer or supplier is superior, security can be derived from this knowledge. For most of us, buying a used car poses a problem as we do not have sufficient knowledge to evaluate its quality. In today’s society, which is often described as knowledge-based, knowledge is highly fragmented. We are increasingly depending on products and service systems that we may understand how to use, but we do not understand how they operate. Consequently, we get dependent upon intermediaries—professionals and experts—or “brokers of uncertainty” as Giarini and Stahel (1989) see them. We are forced to make decisions based on intuition together with impressions and symbols such as image, corporate identities and brand names.

Business culture and ethics can also contribute to security. There can be very clear rules, shared values and ethical codes telling what is right and wrong. There can be clear rewards and punishments. In predatory markets, as in many of the East European states, premeditated cheating, threats and violence create insecurity (Blumberg 1989).

Finally, relationships also provide security. People with a close relationship can trust each other. They want to do repeat business.

The four sources of security are not mutually exclusive. Even strong relationships and a high level of knowledge may require a dose of law, but the dose can be minimal. A strong business culture can also consist of social relationships and personal closeness and be supplemented by laws and regulations. The ratio between the sources can vary. If we are extremely knowledgeable in one
area, we master the situation through our knowledge and are less dependent on other sources. If the law is clear enough, it may provide adequate security in well-defined situations.

The US is an example of legal dominance and weaker relationships, while Japan is the contrary. Within countries there can exist differences between individuals or groups of business people, industries and places. It is obvious, however, how much weight companies and consumers must give to relationships and how little weight has been given to them in the marketing literature. Both new theories and old practice support this conclusion. Growing global competition and mass markets create anonymity and insecurity about the rules of the game and the confidence one can place in others. Swindlers are often successful just because they manage to fake the confidence and trust of close relationships; they are also referred to as con men.

My conclusion is that relationships provide the best way of creating security, although support from other sources is desirable.

**Competition Is Not Enough**

It has been said that the market—customers and competitors—as well as society at large represent uncertainty and risk. We consider competition—which creates insecurity—a dynamic force, but we also realise that a certain amount of cooperation is beneficial. We have learnt that completely planned and centralized economies, such as the former Soviet Union, as well as monopolies and sheltered industries, are dysfunctional. However, there is no reason why those things that can be planned and foreseen should not be stabilized; what can be planned, should be planned.

RM is based on the existence of three forces: competition, cooperation and regulation (Figure 5). In these times of deregulation and privatization there is a naive belief that competition will do the whole trick. It will not. There is no known example of a market that works without regulation. In the former Soviet Union, where the totally regulated markets were replaced by deregulation and free competition, the result is chaos, misery, unfairness and crime. Today's important contribution to deregulation is actually re-regulation, abandoning outdated and stifling regulations and introducing supportive regulations.

![Figure 5 The three forces of the market economy. Source: Gummesson 1994. Used with permission.](image)

One of the winners of the 1993 Nobel Prize in the Economic Sciences, Douglass C. North, has studied the significance of institutions and regulations as a necessity for a working market economy. In his Nobel Lecture, North (1993) claimed that "Institutions form the incentive structure of the society and the political and economic institutions...are the underlying determinant of economic performance. Time, as it relates to economic and societal change, is the dimension in which the learning process of human beings shapes the way institutions evolve. That is, the beliefs that individuals, groups, and societies hold which determine choices are a consequence of learning through time—not just the span of an individual's life or of a generation of a society but the learning embodied in individuals, groups and societies that is cumulative through time and passed on intergenerationally by the culture of a society."

There is also no market without collaboration between suppliers, customers, competitors and others. Collaboration through relationships, networks and interaction is the core of the contribution from RM. We are experiencing a wave of alliance building around the world. Used wrongly, cooperation curbs healthy competition, but used with sound judgement it provides enhanced efficiency. It becomes a dynamic force in the development of products and services as well as in improving the functioning of markets.

According to classical economics, a market equilibrium is reached when supply and demand balance by means of the price mechanism. In RM an effort is made to reach a supplementary type of equilibrium between the three forces competition, cooperation and institutions/regulations. I would like to call this the "marketing equilibrium."

The current dramatic changes in
the telecom market can be used to illustrate the efforts to reach a marketing equilibrium. The deregulation in Europe and America has made it possible for national telecoms to expand their markets. But they can hardly do it on their own. Three telecoms from small countries—the Netherlands, Sweden, and Switzerland—have formed the Unisource alliance. British Telecom has joined forces with MCI Communications, the second largest operator of international telecommunications in the US. GTE, one of the largest telecoms in the US, is both competitor, customer and supplier to AT&T. GTE buys equipment from AT&T, competes with them on certain telephone lines but sells access to local lines to AT&T. In the early 1980s, with reference to the antitrust laws, the then dominating telecom in the US, Bell, was broken up into seven regional operators, the Baby Bells. The purpose was to stimulate competition. AT&T is prohibited by law to acquire stock in the Baby Bells. By acquiring in 1993 the largest operating company in mobile telephony, McCaw, AT&T can bypass the regional and local operators with the aid of cellular technology. Competition thus takes new forms and old regulations are nullified by alliances and novel technology. The struggle towards the marketing equilibrium proceeds in a never ending stream of decisions, activities and events.

**Objections to Mainstream Marketing Theory**

The education in marketing throughout the world is strongly relying on a traditional approach, primarily conveyed through American textbooks. I am not willing to accept the view presented in those books. I sometimes feel let down, intellectually deceived and even intimidated by them.

My thesis is the following: The traditional textbooks do not satisfactorily reflect reality. Or phrased in scholarly terms: the validity is limited. In a marketing context, high validity means that concepts, categories, statements, techniques, models, theories, or statistical data give guidance to describe, understand, and influence the behaviour of customers and competitors.

My overriding objection is that the textbooks claim to be general and complete. A brochure for a widely used marketing textbook in 1991 claimed that the book covers “every important marketing topic—in detail”. This is complete nonsense; it’s misleading and unethical advertising.

I have formulated six objections to the way marketing is presented in mainstream textbooks and taught at business schools. These will be summarized below.

Objection No. 1: The textbook presentations of marketing are based on limited real world data.

The theory on marketing presented in textbooks is primarily based on empirical data from the mass marketing of packaged consumer goods in the US. Note the words: mass marketing, i.e. a large number of anonymous customers and a non-personal relationship; packaged, i.e. standardized and primarily sold from the shelf of the supermarket; consumer, i.e. not marketing to other organizations; goods, i.e. not services; and finally the US, a huge home market. Marketing theory thus has its roots in pure consumer goods such as cookies, pain killers and sodas as well as in mass-manufactured durables such as refrigerators and CD-players. When this knowledge is being generalized to industrial marketing and services marketing, the conclusions become faulty.

Objection No. 2: Goods account for a minor part of all marketing, but the textbook presentations are focused on goods; services are treated as a special case.

Two thirds of the economies in the industrialised world are services. Of the change in employment during the 1980s, services added 224,700 jobs in Sweden while manufacturing lost 112,000. In the US, services accounted for 71% of the GNP, 75% of employment and 80% of all new companies in 1985. My conclusion is that marketing, as it is presented today, does not cover the composition of economic activity in a satisfactory manner as the “general” textbooks put goods—one third of economic activity—in focus (Figure 6).

---

**Figure 6 The approximate ratio of goods and services of the GNP and employment in Western societies. The grey area indicates how well marketing theory contributes to our understanding of marketing. The section that falls outside the circle indicates that part of the material presented in the books that is irrelevant. The size of the grey area should not be seen as absolute, but rather as a visual way of displaying the problem. Source: Gummesson 1993. Used with permission.
Objection No. 3: Marketing to consumers dominates textbooks, while industrial/business marketing is treated as a special case.

Goods and services are marketed both to consumers and to organizations. In a study, I found that only 20% of the sales revenue was consumer goods (Figure 7). The most likely explanation is that components of consumer goods are sold many times before the final product is manufactured and before they reach the end user. Consumer marketing thus does not dominate marketing reality, despite the fact that it dominates textbooks. As the marketing and purchasing that takes place between organizations is invisible to most people, while consumer marketing is obtrusive, it is rather natural for the layperson to see marketing as primarily directed to consumers. Unfortunately, textbooks as well as researchers of marketing are caught in this trap.

Objection No. 4: The textbook presentations are a patchwork; new knowledge is piled on top of existing knowledge, but not integrated with it.

Marketing as a subject is like many systems in society; systems that have over the years been changed and patched so much that they lose their soul. At some point of time, it becomes imperative to design a completely new system with a more adequate basic structure and a paradigm shift takes place. It takes time until new knowledge is integrated into marketing and before it is presented in textbooks and training programs; my personal assessment is twenty years. There is a risk that we teach yesterday's solutions for today's and tomorrow's marketing issues. With the huge production of books and articles today it is quite a challenge to select pertinent knowledge and to integrate it into a coherent theory. Unfortunately, according to the "approved" paradigm in scholarly marketing circles it is more "scientific" to test old knowledge and details, even trivia. The demonstration of quantitative methodology becomes the hallmark of excellence and the scientific circus is dominated by statistical acrobats and numbers jugglers.

Objection No. 5: The textbooks have a clever pedagogical design; the form is better than the content.

To the same extent as the content of traditional textbooks is doubtful, the design of the books, in particular those produced in the US, is advanced. The book itself becomes a component in a package together with a teacher's guide, cases and recently also games, videos and computer programs. The material is well presented and the examples are stimulating and well written. These books tend to look more like art books with the elaborate layout and appealing graphics and colour illustrations. There is nothing evil in this; aesthetic values are essential. There needs to be a content that justifies the pretty facade, though. An analysis of thirteen of these textbooks showed that they are as like as peas in a pod. They talk about the consumer but seldom about the customer, thereby rejecting other organizations as customers. They talk about products, and claim that this includes services which is not proven in the text. They are structured around the 4Ps with add-ons for industrial marketing and services marketing. The concept of quality is missing and the books almost solely talk about the private sector. Relationships are peripheral.

Objection No. 6: We surrender to the US and its marketing gurus and do not adequately promote our own original contributions.

There has been no open debate on the colonization of thought that the US is imposing on research and education in marketing, although criticism is growing in Europe and elsewhere. The mainstream opinion seems to be that the advancement of marketing comes from USA. In two areas, which I have followed closely for the past twenty years–industrial marketing and services marketing–the light also comes from Scandinavia and other parts of the world.

Through their wide international circulation and dominating space in marketing courses, the US textbooks create a colonization of thought. Why has this occurred? One answer can be: The authors have done good marketing! One book on celebrity marketing, High Visibility (Rein, Kotler and Stoller
Towards a Paradigm Shift in Marketing

The current emphasis on relationships is a criticism against the ruling marketing mix theory and its basically manipulative paradigm. The need for a paradigm shift in marketing, based upon a relationship theory, is being advocated more and more strongly (Gummesson 1987, 1994; Grönroos 1990, 1992).

Research and practice in marketing during the past twenty years particularly point to the significance of relations, networks and interaction. Relationships, networks, and interaction play a limited role in the traditional marketing mix theory, usually referred to as the 4Ps (Product, Price, Promotion, and Place). It sees marketing as the active manipulation of the 4Ps in order to make the customer buy. The notion of RM clearly differs from the definition of marketing suggested by the American Marketing Association (AMA), which tends to become an “official” international definition. According to the latest view of AMA (1985) marketing is the following:

“Marketing is the performance of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.”

The strongest criticism against the definition is its complete lack of consideration for relationships. It can be contrasted to Grönroos’ (1990, p. 138) emphasis on relationships in an attempt to present a general definition of marketing:

“Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises.”

RM is based on other values than traditional marketing. Marketing should be a plus sum game; the strategy should be win-win. Business relationships should be beneficial to all parties in the long term. If this was already the case, consumerism and litigation would not be necessary, or at least be rare. Unfortunately, marketing today is often a zero sum game, i.e. what one party wins can only be taken from the other party. The strategy becomes win-lose. Without relationships, it is easy to fall into a “find a sucker” and “be smart” mentality, going for the “quick buck” rather than long term success. Unfortunately, short term profits are cheered by the stock market and the media.

The more radical areas of marketing, where relationships have developed, are services marketing and the network approach to industrial marketing. Services marketing experienced its breakthrough during the 1980s with important contributions from researchers and practitioners from many countries, notably Scandinavia (“The Nordic School of Services”), France, UK and USA. The development of services marketing is accounted for in articles by Berry and Parasuraman (1993) and Fisk, Brown and Bitner (1993). The network approach is based on empirical studies by the IMP (Industrial Marketing and Purchasing) Group with its roots in business schools in Europe (Ford 1990) and recently also expanded into Asia, Australia and the US. Contributions to RM also come from total quality management,
TQM, an area which has had an significant impact on the practice of marketing from the early 1980s and onwards.

At a late stage in the development of RM, I began to see the impact of organisational practice and theory. The advent of the network organisation has reenforced my belief in RM. Finally, as theory and scientific literature only deal with fragments of reality, it is imperative to add the knowledge provided by the reflective practitioner.

So far, only a few comprehensive books on RM exist. They all have different vantage points and stress different applications of RM. Jackson (1985) points to the need for both transaction marketing (the one time deal) and RM in business marketing. For Berry and Parasuraman (1991), RM is an integral part of services marketing. McKenna (1991) has experienced the importance of RM in his consulting work in the information technology industry. From a more scholarly point of view Christopher, Payne and Ballantyne (1992) integrate marketing, customer service and quality into an RM concept. Swedish authors Blomqvist, Dahl and Haeger (1993) approach RM from direct marketing.

Practitioners will easily recognize themselves in RM and perhaps ask the question: “What’s new? Is RM just the emperor’s new clothes where only the little innocent child dares to reclaim the obvious: But the emperor has no clothes on!” I don’t believe RM is the emperor’s new clothes or I would not spend time on it. I believe RM is common sense made obvious through systematic and structured presentation. Companies may have been network organizations and relationship marketeers for a long time, maybe forever, but there has been no proper language to describe them. The language of marketing, as established in textbooks, has lived its own life and not matched reality. Validity has been poor.

Most of the constituent parts of RM are not new. But enough is new, and like the straw that broke the camel’s neck has now been added to marketing thinking. Radical rethinking is necessary and a new paradigm is imperative. I forecast that the mid 1990s will be the definitive breakthrough for RM as a new marketing paradigm which will set the marketing agenda for the 21st century.

**Practical Implications for Marketing**

In conclusion we can ask the question: How does RM affect marketing management in practice? The answer can be located in two basic issues which have to be addressed in the marketing planning process:

1. Establish a relationship portfolio. In analogy with the marketing mix approach, I have presented the 30Rs. The purpose of selecting a portfolio of Rs is to determine which relationships are essential to your specific business and make sure those are handled skillfully. Not all relationships are important to all companies all the time. Some are already handled well, but others may be important and neglected.

2. Calculate the cost and revenue of the relationships and ultimately their contribution to profits. As “the language of management is money”, a crucial question is how the relationships pay off. The profitability issue basically concerns the outcome of the classic dyad: “How long does it pay to keep the customer? Do we want all customers, or should we get rid of some?” Methods of calculating the profitability of relationships are gradually emerging (Storbacka 1993). A currently popular adage states that it costs five to ten times as much to get a new customer as to keep one. In industrial marketing there may sometimes only be one or a few customers in each country, such as in marketing defence products, passenger aircraft or telephone switching equipment. It is obvious then that a supplier has to handle those customer relationships with great care and patience and look at the long term profits.

**References**


