

# Relationship Marketing: Challenges for the Organization

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*Relationship marketing has been offered as a new marketing paradigm. However, a relationship approach to marketing challenges many fundamental cornerstones of marketing, such as the definition of marketing variables, the marketing department as a useful organizational solution, marketing planning as an effective way of planning marketing resources and activities, and others. If a firm is to take a relationship marketing approach many existing attitudes, behaviors, and structures will have to be rethought. In the present article, such behaviors and structures are challenged and eight "cornerstone" viewpoints about the implementation of relationship marketing are suggested. J BUSN RES 1999. 46:327–335. © 1999 Elsevier Science Inc. All rights reserved.*

The marketing mix concept was gradually developed after World War II and its 4 P model was introduced around 1960 (McCarthy, 1960). In the industrial society of the post-World War II era, marketing mix management and its transactional approach to marketing inevitably was helpful for very many industries in many markets. The rise of marketing mix management coincides with the time when the industrial society was reaching the peak of its life cycle in the Western world.

However, since that time, the market situation has changed, especially in Western economies, among other reasons because of the emergence of the postindustrial society. First, the once dominant mass markets are becoming more and more fragmented. Second, most customers no longer want to remain anonymous and want individual treatment and they are becoming more sophisticated. Third, more and more markets are maturing. Fourth, competition is increasing and becoming global. Fifth, the market offerings have become less standardized, because, in many situations, customers demand it, and new technology makes this possible in a way totally different from the past.

Relationship marketing is an emerging marketing perspective that has been discussed in the marketing literature throughout the 1990s. In marketing practice, relationship marketing is drawing more and more attention. It is suggested that a relationship approach to marketing is a new paradigm that goes back to the roots of the marketing phenomenon (Sheth and Parvatiyar, 1995). This new approach can be seen as an alternative way of looking at the marketing phenomenon as compared to the mass-marketing orientation of marketing mix management, rather than as a tool within the marketing mix.

Relationship marketing as an alternative perspective may require that basic marketing structures are reshaped. The purpose of this article is to discuss how established marketing behaviors and structures may need to be rethought. It is proposed that fundamental cornerstones of marketing need to be challenged. Eight "cornerstone" viewpoints about relationship marketing are formulated and discussed. These viewpoints are not formulated as formal propositions that can be tested. Rather, they are put forward as thought-provoking suggestions for further theoretical and empirical research. Six of the viewpoints have, however, been tested using data from quantitative and qualitative studies in New Zealand and Canada. According to preliminary results, all except the last (eighth) viewpoint are supported, and, interestingly enough, the two untested viewpoints (fourth and seventh) emerged in the qualitative studies (see Brodie, 1997).

## ***Relationship Marketing—A Marketing Paradigm for the 1990s and Beyond***

Transaction-oriented mass marketing based on the management of the 4 Ps of the marketing mix is, no doubt, still a valid marketing approach, especially for marketers of consumer packaged goods. However, from the 1970s, an alternate approach to marketing based on the establishment and management of relationships has emerged in various contexts of marketing research and practice. Elements of this new approach have been especially evident in two streams of research emanating in Scandinavia and Northern Europe and eventually

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spreading to other parts of the Western world. These streams of research are the Nordic School of Service (Grönroos and Gummesson, 1985; Berry and Parasuraman, 1993), which examines management and marketing from a service perspective, and the IMP Group (Håkansson, 1982; Håkansson and Snehota, 1995), which takes a network and interaction approach to understanding industrial businesses. A common denominator of these two schools of thought is that marketing is more a management issue than a function, and that managing marketing normally must be built upon relationships, not on transactions alone.

Building and managing relationship has become a philosophical cornerstone of both the Nordic School of Service and the IMP Group since the late 1970s. However, "relationship marketing" as a term was not commonly used until the latter part of the 1980s, although it was first coined in 1983 in the United States by Berry (1983). In the 1990s, the relationship marketing perspective has attracted growing attention in the United States (Kotler, 1992; Webster, 1994; Hunt and Morgan, 1994; Sheth and Parvatiyar, 1995) as well as in Britain and Australia (Christopher, Payne, and Ballantyne, 1992; Brodie, Coviello, Brookes, Richard, and Little, 1997). Although the concepts used in various areas of relationship-oriented marketing differ to some extent, and the viewpoints taken are somewhat different, we can probably conclude that an understanding of services and how to manage and market services is one key to understanding the nature of relationship marketing. Another one is understanding how to manage networks (Håkansson and Snehota, 1995) and partnerships (Hunt and Morgan, 1994), and how to make use of the integrated marketing communications notion is yet another (Schultz, 1996; Stewart, 1996). However, when using a relationship approach, every firm offers services (Webster, 1994). "When *service competition* is the key to success practically for everybody and the product has to be defined as a service, *every business is a service business*" (Grönroos, 1996, p. 13).

In the literature, there is no agreement on a definition of relationship marketing. Although most definitions have common denominators, there are differences in scope. A comprehensive definition (Grönroos, 1989, 1990, 1997) states that, according to a relationship approach

Marketing is the process of identifying and establishing, maintaining, and enhancing, and when necessary also terminating 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 fulfillment of promises. (Grönroos, 1997, p. 407)

Key aspects of such a marketing approach are not only to get customers and create transactions (identifying and establishing), but maintaining and enhancing on-going relationships are also important, and making promises is not the only responsibility of marketing, such promises must also be kept (Calonius, 1988). Profitable business relationships rely on a

firm's ability to develop trust in itself and its performance with its customers and other stakeholders, and its ability to establish itself as an attractive business partner (see Halinen, 1994, who discusses the concept of *attraction* in business relationships).

Although they vary in terms of broadness and emphasis, most definitions of relationship marketing in the literature have a similar meaning (Christopher, Payne, and Ballantyne, 1992; Blomqvist, Dahl, and Haeger, 1993; Hunt and Morgan, 1994; Sheth and Parvatiyar, 1994; Gummesson, 1995). For example, Sheth and Parvatiyar (1994) state that relationship marketing is "the understanding, explanation and management of the on-going collaborative business relationship between suppliers and customers" (p. 2); whereas, Gummesson (1995, p. 16) defines relationship marketing as a marketing approach based on relationships, interactions, and networks.

In more general terms, the Grönroos definition of a relationship-oriented approach to marketing (relationship marketing) can be formulated as a generic definition: "*Marketing is to manage the firm's market relationships*" (Grönroos, 1996, p. 11; emphasis added). This definition includes the fundamental notion of marketing as a phenomenon related to the relationships between a firm and its environment. It points out that marketing includes all necessary efforts required to prepare the organization for activities and to implement those activities needed to manage the interfaces with its environment. Markets are, of course, of several kinds: customers, distributors, suppliers, networks of cooperating partners.

Relationship marketing is not a new phenomenon (Sheth and Parvatiyar, 1995). Rather, it is a return to what can be called the "roots of trade and commerce," before scientific management principles were intensively used, and before the emergence of the middleman, which broke up the relationship between suppliers and users. Marketing was based on management of relationships. The orientation toward mass production, mass distribution, and mass consumption, which at a period in the history of economic development in the Western world, well served the creation of wealth, made it difficult to maintain this basic nature of marketing. As noted previously in this article, today we have already entered a postindustrial society with a new business environment and new marketing challenges. New management principles are needed. This makes it necessary for marketing to return to its roots.

In none of the definitions of relationship marketing is the concept of *exchange* (Baggozzi, 1975), which for about two decades has been considered a foundation of marketing, explicitly mentioned. Focusing on exchange is considered too narrow a view. A relationship is also a *mindset*; hence, a relationship includes much more than exchanges. If a trusting relationship between two or several parties in the marketplace exists, exchanges should inevitably occur. However, there is so much more to an on-going relationship that also has to be taken care of, if exchanges of offerings for money are to take place. The relationship is a more fundamental unit of study

than the exchanges that occur within it. Hence, *the basic concept of marketing is the relationship itself rather than singular exchanges* that occur in the relationship. A relationship can be analyzed on several levels; for example, on relationship, sequence, episode, action, and step levels, as suggested by Holmlund (1996) and further developed by Wrangle (1997).

### **Cornerstones of Marketing Challenged by the Relationship Marketing Perspective**

Marketing mix management that continues to dominate mainstream marketing textbooks and large parts of research into marketing includes the following “cornerstones:” the marketing mix itself; the product concept; the marketing department; marketing planning; market segmentation; and market research and market share statistics. None of these, as they are treated in mainstream marketing, can be taken for granted when a relationship marketing approach is taken. They were developed in situations where a transaction-orientation approach served marketing well, and the task of getting customers dominated marketing. When marketing is based on relationships, and keeping customers is considered at least equally important as getting customers, new structures for analyzing, planning, implementing, and monitoring marketing and its effects may be needed. In fact, we argue that major changes in existing structures and behaviors are required. In the sections that follow, these six cornerstones of marketing are analyzed in view of the transition to a relationship marketing philosophy, and relationship-oriented structures are proposed.

### **Marketing Variables and Resources**

The *marketing mix* and its *4P* model define the variables that are considered part of marketing. Although the Ps are not obsolete as marketing variables today, often the philosophical foundation of the marketing mix and its Ps do not fit well in the competitive situation that has been emerging in many industries in the Western world. Mass-marketing and transaction orientation, as well as the adversarial approach to customers, do not allow the firm to adjust its market performance to the demands of more and more customers today; for example, enhanced value around the core product, reliable service to accompany the product, a trusting relationship with customers, suppliers, and distributors. As Dixon and Blois (1983) state, “. . . indeed, it would not be unfair to suggest that far from being concerned with a customer’s interests (i.e., somebody *for whom* something is done), the view implicit in the 4P approach is that the customer is somebody *to whom* something is done!” (p. 4, emphasis added). Today, with more sophisticated customers, maturing markets, and intensifying global competition, this approach to customers will not serve marketers as well as it did. Cooperation, in a competitive environment, rather than an adversarial approach is a better foundation for marketing in today’s market climate.

The marketing mix clearly includes such variables as advertising and other means of marketing communications, selling,

and pricing that are needed in a relationship-oriented marketing approach. However, the basic tenet that the marketing mix consists of a number of predetermined groups of decision-making areas that together are what should be planned as marketing is challenged. It fits a situation where the customer is anonymous, and the market offering is a fairly simple product, such as many consumer packaged goods. When the firm can identify its customers (or distributors or suppliers), when interactions between these parties and their staff occur, and when it is important to make current customers interested in buying again (Reichheld and Sasser, 1990), marketing impact is created by a large number of people, the *part-time marketers* (Gummesson, 1987), and by other resources in the organization, in addition to the efforts of the full-time marketers in marketing departments. Hence, marketing variables can neither be predetermined, because they vary from case to case, nor separated from activities that, for example, belong to production and operations, deliveries, customer service, or a host of other business processes. We can offer the first viewpoint about how to understand the nature of marketing variables in relationship marketing:

*Viewpoint 1:* In relationship marketing, the firm cannot predetermine a set of marketing variables. Instead, depending upon the stage and nature of the relationship with any given existing or potential customer, it must use all resources and activities that make a desired marketing impact by creating value and enhancing satisfaction, regardless of where in the organization they are located.

### **The Marketed Object**

In the marketing literature, the *product concept* has a firm position. The product—a good or a service—is the core around which the rest of marketing revolves. To use the 4P model, the product has to be developed and packaged so that it can be priced, promoted, and distributed. Although the product may be complicated, including not only the technical core but also packaging and such augmenting services as warranties, it is considered more or less prefabricated before the marketing process begins. This view of the phenomenon, which is offered as a solution to customer problems, is transaction oriented. The product must exist, if a transaction is to take place at a given moment. As long as transactions or exchanges are the focus of marketing, a prefabricated product is required. However, when the focus is shifted from singular exchanges to relationships, quite another view of how solutions to customer problems develop emerges.

The technical solution embedded in a product (a physical good or a service) is only the prerequisite for a good solution to a problem. In addition, customers expect, for example, well-handled deliveries, service and maintenance, information, customer-oriented complaints-handling routines, as well

as skillful and service-minded employees who demonstrate an interest in the needs and desires of customers and show service-oriented attitudes and behaviors when performing their tasks. Moreover, customers do not want to spend too much time getting their problems resolved.

When solutions to customers' problems are viewed in a relationship perspective, the traditional product becomes transparent. In fact, normally several competitors offer a similar "product." What is important is a firm's ability to create a total system of caring for its customers on an on-going basis so the customers are served better by a given supplier or service firm than by its competitors (Levitt, 1969). The customers must be truly *served*. Hence, a total *service offering* that, indeed, serves the customer must be designed. The technical solution, or the "product," becomes only one resource among many. When the solution to a customer's problem is viewed in this way, two things follow. First, the product does not exist as a prefabricated phenomenon. Second, the solution is developing over time when the firm manages its resources so that an acceptable total offering gradually emerges.

What is needed is a governing system that matches the various resources with the needs and desires of the customer over time. Of course, to some degree a prefabricated technical solution, a "product," is always needed, but it is only one technology among many used to create the offering over time. The resources that must be managed through a customer-oriented governing system can, for example, be grouped into the following categories: *people*, *technology*, *know-how*, and *time* (Grönroos, 1997). Time, of course, refers to how efficiently and effectively the firm manages *the customer's time*. People includes *both personnel and customers*. The customer also becomes a resource, because in an on-going relationship, much of what is emerging is based on customer-driven information, initiatives, and actions. Hence, we can formulate the second viewpoint about the total offering, which in a relationship marketing, context replaces the product concept.

**Viewpoint 2:** In relationship marketing, the firm cannot rely on a prefabricated product. It must develop such resources as personnel, technology, know-how, the customer's time, and the customer itself as a resource, as well as create a governing system that manages these resources during the on-going relationship in such a manner that a satisfactory total service offering emerges over time.

### The Organizational Solution

The *marketing department*, including specialists on various subareas of marketing, is the traditional organization solution for managing, planning, and implementing marketing activities. This functionalistic organizational solution is inherent in the marketing mix management approach and follows the general principles of scientific management (Taylor, 1947). Specialists

should perform their specialties. However (except for such cases as many consumer packaged goods), marketing is no longer the sole task of marketing specialists. Marketing is spread throughout the organization, and this is true for a growing number of businesses, in service industries, and in the manufacturing sector (Gummesson, 1987; Grönroos, 1990, 1995).

Marketing and marketers have become isolated in organizations over time. As we have observed in another context, "both from an organizational point of view and from a psychological standpoint *the marketing department is off side*" (Grönroos, 1994, p. 356; emphasis added). The marketing department cannot influence the people in the rest of the organization outside the marketing department to play their roles as *part-time marketers*, to use a term coined by Gummesson (1987). Part-time marketers are those people outside the marketing department (i.e., not marketing specialists), who are specialist in, say, maintenance, deliveries of goods, claims handling, operating telephone exchanges, or just about any type of job, where their attitudes and way of doing their job have an impact on the customer's perception of the firm and of the quality of its market offerings. Hence, they have *dual responsibilities*, both for doing their job well and in so doing, making a good marketing impression.

Gummesson observes that in industrial markets and in service businesses, the part-time marketers typically outnumber by several times the full-time marketers; that is, the specialists of the marketing and sales departments. Furthermore, he concludes that "marketing and sales departments [the full-time marketers] are not able to handle more than a limited portion of the marketing *as its staff cannot be at the right place at the right time with the right customer contacts*" (Gummesson, 1990, p. 13). Hence, the part-time marketers not only outnumber the full-time marketers, the specialists; often they are the only marketers available at crucial moments (Normann, 1983), when the marketing impact is made and a basis for customer satisfaction is laid. Moreover, the marketing department cannot plan the job of the part-time marketers or in any way take responsibility for their attitude and performance. In the final analysis, the traditional marketing department stands in the way of spreading market orientation and an interest in the customer throughout the organization (Piercy, 1985; Grönroos, 1982, 1990).

Furthermore, the specialists in a marketing department may become alienated from the customers. Managing the marketing mix means relying on mass marketing. Customers become numbers for marketing specialists, whose actions, therefore, typically are based on surface information obtained from market research reports and market-share statistics. Frequently, such "full-time" marketers may act without ever having encountered an actual customer. As we observed as early as 1982 in a study of service firms, traditional marketing departments may make a firm less customer oriented and make it more difficult to create interest in marketing among employees who do not belong to such departments (Grönroos, 1982).

Because marketing resources (i.e., part-time marketers) can be found throughout an organization, total marketing cannot be organized in the form of a traditional marketing department. Marketing responsibility must be spread organization-wide. Moreover, normally it is probably impossible for the head of a marketing department to be responsible for the marketing impact of part-time marketers and to have a decisive influence on investments in equipment and operational and administrative systems that also have a marketing impact on the customers. Only top management or the head of, for example, a regional organization or a division can take that responsibility.

Marketing specialists are, of course, still needed to perform such basic full-time marketing activities as market research, some advertising programs, and direct marketing. In addition, as specialists on their customers, they can assist top management as internal marketing facilitators; that is, as internal consultants. As Berry (1986) observes, “service marketing directors not only must persuade customers to buy (for the first time), they must also persuade—and help—employees to perform” (p. 47). Marketing specialists can help making part-time marketers understand and accept their marketing responsibility through educating employees on managerial and nonmanagerial levels about the nature, purpose, and applications of part-time marketing, they can strive to support investments in tools and systems that make it easier for part-time marketers to perform, and they can be visible supporters of good quality in the organization (Berry and Parasuraman, 1991). *Internal marketing* becomes a critical issue in relationship marketing if the organization is to be well prepared for its new marketing tasks (Grönroos, 1990). In an article about relationship marketing, Bitner (1995) emphasizes the need for a firm to manage, not only the tasks of making and keeping promises, but also the task of enabling the fulfillment of promises, if marketing is to be successful.

If the group of marketing specialists in a firm becomes too big and becomes dominant, problems with market orientation and customer consciousness may follow. The part-time marketers may not understand or accept their responsibilities as marketers. Hence, we can formulate the third viewpoint about how to organize marketing and the fourth viewpoint about preparing the part-time marketers for their marketing duties.

**Viewpoint 3:** In relationship marketing, marketing cannot be organized as a separate organizational unit, rather a marketing consciousness must be developed organization-wide. However, marketing specialists are needed for some traditional marketing activities and as internal consultants to top management in order to help instill such a marketing consciousness.

**Viewpoint 4:** Because the implementation of relationship marketing relies upon the support of a host of part-time marketers, the firm must create

an internal marketing process to ensure that part-time marketers understand and accept their marketing duties and learn the skills needed to perform in a customer-oriented manner.

### Planning Marketing

*Marketing planning* is the process of planning and developing the activities of the marketing department and budgets for those activities. As long as almost all marketing activities are in the hands of the marketing department, traditional marketing planning is acceptable. However, in a situation where much or even most of the marketing impact is the result of activities that are not the responsibility of the marketing department, it does not make sense to plan the activities of that department separately and call this “the marketing plan.” Such a plan includes, of course, part of what is needed to implement relationship marketing, but today so much more that is planned as parts of other plans should also be planned from the same customer perspective as the activities of the traditional marketing plan. Just preparing a “marketing plan” within a marketing department does not mean that the firm’s total marketing activities as perceived by its customers are planned. It can easily become a plan that counteracts what may be planned as part of human resource management, production and operations, for example, or is counteracted by those plans. *The result is not well-planned marketing.* What is called “the marketing plan” may only cover those external marketing activities by which the firm gives promises to potential and existing customers. Interactive marketing activities and the performance, attitude, and behavior of the part-time marketers are not planned with a customer perspective in mind. Hence, how *promises are fulfilled* is not well planned from a marketing point of view. If top management, the marketers, and people from other departments internally believe in such a “marketing plan,” which they often seem to do, the marketing concept, that is, the notion that the interest of the customer should be kept in mind in the firm’s planning processes, is unfulfilled.

Because marketing resources can be found throughout the organization, not only in the marketing department, marketing cannot be planned in the form of a traditional, separate marketing plan. Instead, the marketing impact of resources and activities that are planned elsewhere, such as in production and operations, human resources, or investment in systems and equipment, must be recognized. All resources and activities that have such an impact must be integrated, regardless of in what department they may be. This can only be done in an overall corporate plan based, not only on establishing relationships, but also on a notion of relationship building and maintenance. As we concluded in an earlier study more than 15 years ago (Grönroos, 1982), a market orientation must be instilled in all plans through a market-oriented corporate plan. This plan would then serve as a governing *relation-*

ship plan. Hence, we can formulate the fifth viewpoint about how to plan marketing from a relationship perspective.

*Viewpoint 5:* Relationship marketing cannot be localized in the traditional marketing plans. Instead, a market orientation must be instilled in all plans and integrated through a market-oriented corporate plan as a governing relationship plan.

### ***Individualizing the Customer Base***

*Market segmentation* (Smith, 1956) is the process of identifying and evaluating subgroups of customers that are internally more homogeneous than the total market. As long as markets could be viewed as masses of anonymous customers, market segmentation served marketing well. However, when customers no longer want to be treated as numbers, but as individuals, the traditional notion of market segmentation becomes less helpful. Identifying groups of numbers that somehow look alike is, in many cases, still a valid approach to segmentation, but, it is often more important for the firm to identify its existing and potential customers as individuals representing households or organizations. *Individualizing* the market becomes more important for marketing than merely segmenting it. From a profitability point of view, getting a larger share of the purchases of such individuals may be better than getting a larger number of customers in a given market segment (Storbacka, 1997).

Because relationship marketing is based on the notion of relationships with identifiable customers who should not be treated as unknown persons but as individuals representing households or organizations, traditional segmentation is less appropriate. Instead of getting some of the business of a large segment, the firm should strive to get as much as possible of every individual customer's business (Peppers and Rogers, 1993). The basic idea behind market segmentation still holds true, of course. However, the nature of segmentation changes dramatically. It is no longer enough to distinguish between homogeneous groups of anonymous customers based on average measures. Much more detailed and individualized information in the form of, for example, customer information files (Vavra, 1994), or other types of databases must be compiled. Firms serving mass markets cannot, of course, develop as many individual and informative files as firms that have a limited number of customers. However, the basic principle should be the same in both situations. Hence, the sixth viewpoint about how to manage the customer base can be formulated.

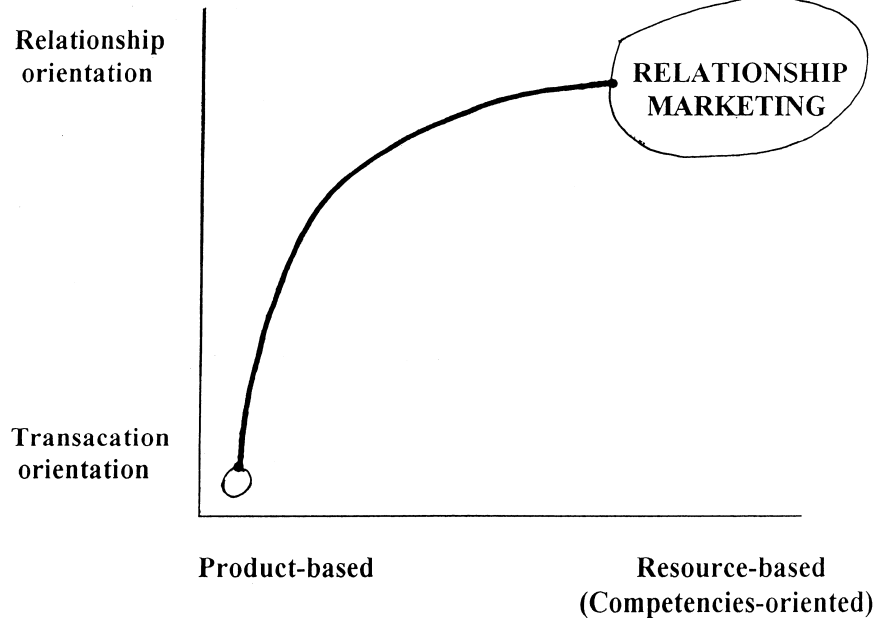
*Viewpoint 6:* In relationship marketing, marketing decisions and activities cannot be based on traditional market segmentation techniques. Choice of customers to serve and decisions about how to serve them must be based on individual customer information files and other types of databases.

### ***Researching Customers and Monitoring Success***

*Market research* and *market share statistics* are a way of finding out needs and expectations of customers, monitoring the level of satisfaction among the firm's customers, and evaluating the relative sales result of a firm as compared to that of the competition. When marketing is based on a notion of masses of anonymous customers, this is a practical way to monitor how well, on the average, the firm is doing. Far too often, however, market share alone is treated as a way of evaluating the success of the firm in satisfying the needs and expectations of its customers. The better the market share is maintained or increased, the healthier the customer base. Of course, this is not the case, but because frequently no other than at best ad hoc information about customer satisfaction or customer loyalty is available, good sales performance is easily taken as a measure of satisfied customers. This may, however, turn out to be a dangerous misunderstanding. Moreover, the closer natural contacts the firm has with its customers, the less justifiable it is to mix up market-share statistics with satisfaction and the health of the customer base.

Market research is often based on surveys, and because such data-gathering methods normally do not allow for obtaining in-depth information about the thoughts and intents of customers, only surface data are gathered. Such data may be useful, too, but, for example, information about customer satisfaction and about customer needs, desires, and expectations that employees who interact with customers are accumulating is neglected. The firm knows very little about the specific needs, desires, and expectations of individual customers, although the information technology available today makes it possible to develop customized databases (Vavra, 1994).

Measuring market share is an important way to monitor relative sales of a product when the product is marketed to a mass market of unknown customers. It is relatively easy to compile sales statistics. Studies of customer perceived quality and customer satisfaction measurements normally cannot be done on an equally regular basis. As a consequence, market-share statistics are sometimes regarded as a proxy for customer satisfaction. Market share can be maintained, at least for some time, even when customer satisfaction deteriorates. When a firm has direct contacts with its customers, information about the needs, desires, expectations, and future intentions of customers as well as about their quality and value perceptions and about satisfaction can be obtained directly in these contacts. This, however, requires an intelligent system for registering the bits of information many employees throughout the organization receive on a daily basis. This is vastly neglected today. However, only such direct management of the customer base gives management current and accurate information, not only about sales, but also about the needs, expectations, intentions, and level of satisfaction of its customers. Hence, we can formulate a seventh viewpoint about the need to manage the firm's customer base directly and not through market-share statistics and ad hoc customer studies alone.



**Figure 1.** Relationship marketing: the transition curve; (source: Strandvik and Storbacka, 1996).

*Viewpoint 7:* In relationship marketing, the firm should manage its customer base directly through information obtained from the continuous interfaces between customers and employees, and only support this with market-share statistics and ad hoc studies of customers.

### **The Rebirth of Marketing: The Relationship Approach**

The marketing mix management paradigm was developed to suit the requirements of marketing during the peak of the industrial society. Today it is helpful only in some types of businesses, such as many consumer goods industries, and even there it is being questioned (Rapp and Collins, 1990; McKenna, 1991). Relationship marketing, by going back to the roots of the marketing phenomenon, offers a new approach to managing market relationships. However, it is important to understand the paradigmatic nature of this perspective. It is foremost a philosophy that guides the planning and management of activities in the relationships between a firm and its customers, distributors, and other partners. The relationship philosophy relies on co-operation and a trusting relationship with customers (and other stakeholders and network partners) instead of an adversarial approach to customers, on collaboration within the company instead of specialization of functions and the division of labor, and on the notion of marketing as more of a market-oriented management approach with part-time marketers spread throughout the organisation than as a separate function for specialists only (Grönroos, 1996).

Common mistakes when discussing relationship marketing follow from a failure to understand this philosophical shift. We must realize that it is a *new paradigm*, not just a *new model*,

that is emerging. Sometimes relationship marketing is used more or less as a synonym for direct marketing, database marketing, or for establishing customer clubs, and it becomes just another instrument in the marketing mix toolbox to be used to create transactions. In other situations, relationship marketing is used as a synonym for developing partnerships, alliances, and networks, or as part of marketing communications only. However, it is much more than all of these. It requires a totally new approach to some of the fundamental thoughts in marketing, as is implied by the seven propositions suggested in the previous section. The transition from transaction-oriented marketing mix-based practice of marketing to a relationship-oriented one is not an uncomplicated process. The old paradigm has deep roots in the minds of academics, as well as of marketers and nonmarketers in a company. Moreover, it still has a much easier-to-use toolbox of marketing instruments available than the emerging new paradigm can presently offer.

Hence, as illustrated in Figure 1, the transition toward a relationship-oriented marketing approach can be understood as a learning curve or a *transition curve* (Strandvik and Storbacka, 1996). In the beginning, firms that want to implement a relational approach to marketing remain very focused on products. Hence, only easily developed relational activities are introduced. Typical examples are customized sales letters and information bulletins, customer clubs, and so forth. Such activities can easily backfire, especially if the customer is mistreated in other respects; for example, when using a service, in a recovery or complaints situation, or in just about any other interaction with the firm. Firms in this stage do not yet fully understand the philosophical nature of relationship marketing. Here, singular exchanges are still the basic focus

of marketing. Today, most firms applying a relationship marketing approach are probably somewhere in this stage of the transition process. A true transition toward a relationship marketing strategy requires a focus on resources and competencies in the relationship. It is interesting that this changing demand from the market has had an impact on the strategy field that parallels the development of the relationship approach in marketing. Resources and core competencies are emphasised in the current strategy literature (Hamel and Prahalad, 1994).

In principle, the product is but one resource among others, although it is, of course, the necessary prerequisite for a successful relationship. The relationship itself becomes the focus of marketing.

However, as noted earlier, the roots of the old paradigm are very deep in the minds of most people, regardless of whether they are in managerial positions, or they are full-time marketers, or should consider themselves to be part-time marketers. Therefore, it may be difficult to instill a new philosophical approach in which marketing is practically every employee's business as part-time marketers or managers of part-time marketers. Getting the commitment of everyone to the new marketing philosophy and its consequences for marketing in practice may be difficult or even impossible. As we observed in another context (Grönroos, 1994), "the use of the marketing mix paradigm and the 4 Ps has made it difficult for the marketing function to earn credibility" (p. 356). Far too many people feel uncomfortable with the thought of being involved in marketing. Some firms have solved this problem not only by downscaling or terminating their marketing departments altogether but also by *banning the use of the term marketing* (Grönroos, 1982, 1994). Such terms as "customer contacts" and "customer satisfaction" have been used instead of "marketing" to describe the same phenomenon; i.e., the management of the firm's market relationships. Sometimes we need this kind of semantic nicety. It is not too far-fetched to assume that in the future this will occur in a growing number of cases. Therefore, an eighth, and final, viewpoint about relationship marketing as the rebirth of marketing is offered.

**Viewpoint 8:** To create an understanding of relationship marketing in an organization and to implement a culture of relationship marketing, it may be necessary to replace the term "marketing" with a psychologically more readily accepted term to describe the task of managing the firm's customer relationships (see Appendix).

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## Appendix. Eight Viewpoints about Relationship Marketing

- Viewpoint 1:** In relationship marketing, the firm cannot predetermine a set of marketing variables. Instead, depending upon the stage and nature of the relationship with any given existing or potential customer, it must use all resources and activities that make a desired marketing impact by creating value and enhancing satisfaction, regardless of where in the organization they are located.
- Viewpoint 2:** In relationship marketing, the firm cannot rely on a prefabricated product. It must develop such resources as personnel, technology, know-how, the customer's time, and the customer itself as a resource, as well as create a governing system that manages these resources during the on-going relationship in such a manner that a satisfactory total service offering emerges over time.
- Viewpoint 3:** In relationship marketing, marketing cannot be organized as a separate organizational unit, rather a marketing consciousness must be developed organization-wide. However, marketing specialists are needed for some traditional marketing activities and as internal consultants to top management in order to help instill such a marketing consciousness.
- Viewpoint 4:** Because the implementation of relationship marketing relies upon the support of a host of part-time marketers, the firm must create an internal marketing process to ensure that part-time marketers understand and accept their marketing duties and learn the skills needed to perform in a customer-oriented manner.
- Viewpoint 5:** Relationship marketing cannot be localized in the traditional marketing plans. Instead, a market orientation must be instilled in all plans and integrated through a market-oriented corporate plan as a governing relationship plan.
- Viewpoint 6:** In relationship marketing, marketing decisions and activities cannot be based on traditional market segmentation techniques. Choice of customers to serve and decisions about how to serve them must be based on individual customer information files and other types of databases.
- Viewpoint 7:** In relationship marketing, the firm should manage its customer base directly through information obtained from the continuous interfaces between customers and employees, and only support this with market-share statistics and ad hoc studies of customers.
- Viewpoint 8:** To create an understanding of relationship marketing in an organization and to implement a culture of relationship marketing, it may be necessary to replace the term "marketing" with a psychologically more readily accepted term to describe the task of managing the firm's customer relationships.