# Relationship Marketing : An Overview

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## ABSTRACT

**Relationship marketing prevalent in the pre-industrial era had to give way to transactional marketing in the post-industrial era. However, it has been staging a strong comeback for the past two decades, thereby making the circle complete. This article is an attempt to trace the re-emergence of relationship marketing - it presents the pros and cons of several theories and models elucidating this phenomenon and updates the readers with the literature that has surfaced in the last 20-25 years across the continents on the subject based on the research conducted during April - August 2011 . The future of Relationship Marketing (RM) and the existing disconnect between CRM (Customer Relationship Management) and RM has also been discussed in the present paper . As a chronicle that provides an overview of RM spanning a few centuries, this paper, it is hoped, would be a useful reference document for both researchers and practitioners of marketing.**

**Keywords: Transactional Marketing, Relationship Marketing, CRM**

## INTRODUCTION

Exchange of goods and services for a consideration is as old as the human civilization, which laid the foundations of modern marketing theory. During the pre- industrial era, interactions between buyers and sellers used to be direct, which in the contemporary context is termed as direct marketing. Relationships were an off shoot of direct marketing. In the weekly markets or haats[1], different groups of buyers used to patronize sellers they trusted. Relationships were thus formed, trust and loyalty being the foundations used to last for several generations. Relationship marketing, therefore, is not an altogether new concept and has its roots in the socio- commercial interactions that prevailed in the pre-industrial era.

Industrialization characterized by mass production and emergence of middlemen ultimately resulted in the creation of a barrier between producers and end customers. Emergence of purchase as a separate function, evolution of channels of distribution that made direct marketing redundant ushered in transactional exchanges. This situation prevailed for the best part of 19th and 20th centuries. Need for differentiating from competitors, so as to acquire a distinct competitive advantage, by offering customized products and services and building mutually beneficial relationships marked the paradigm shift from transactional exchanges to relationship marketing towards the end of the 20th century. B2B marketing, relying a great deal on long term relationships as opposed to short term transactions; service imperative which is the cornerstone of B2B marketing and emergence of services sector as a major contributor to the GDP of both developed and developing economies shifted the focus of organizations from transactions to relationships. Services in particular, necessitating direct interaction of service provider and customer, both B2B and B2C, have unequivocally established the importance of building long term relationships with customers for the growth and survival of business organizations in the 3rd millennium. As for India, apart from the global developments highlighted above, economic reforms resulting in the opening up of the economy; entry of multinational corporations in both products and services; explosion of IT and ITES and the consequent increase in the buying-power of consumers that triggered off the retail revolution were the special circumstances in the last 15-20 years that influenced the manufacturers and marketers to shift their orientation from product-centric to customer-centric , an ideal platform for the formation and maintenance of lasting relationships with customers.

Kohn (1986,p.23) affirmed that competition, a salient feature of transactional approach, is inherently destructive and mutual cooperation, the corner stone of relationship marketing, is inherently more productive. Heide & John (1992, p.34) supported this view when they asserted that relational exchanges characterized by interdependencies reduce

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[1] Haats are periodic mobile markets that are quite popular in rural India.

the transaction costs and improve the overall quality of business partners, which transactional exchanges are not capable of. Kalwani & Narayandas (1995, p.14) concluded that close, cooperative and interdependent relationships are of a greater value than pure transaction based relationships. Globally, industrial marketers such as manufacturers of steel, chemicals, petro-chemicals, auto components and machinery quickly understood the importance of building enduring relationships with customers and their Indian counterparts were no exception.

Change of orientation from transactional to relational was evident in India starting from the late 1980s , encompassing all major sectors such as manufacturing, automobiles, domestic appliances and services like aviation, banking, insurance and financial services, customers being the ultimate beneficiaries.

This molting change in the orientation of Indian manufacturers was aptly captured by Dasari (2012, p. 9) as under:

"Customers who had been at the receiving end for more than four decades at last breathed a sigh of relief as they were able to find some alternate suppliers, some of them even better than the existing sources in terms of quality and accessibility. "

According to Sheth & Parvathiar (1995, p.399), the scope of relationship marketing encompasses channel management, B2B marketing, services marketing and direct marketing. Technological advances and organizational processes and developments such as empowerment of employees and companies embracing TQM gradually made the role of middlemen redundant and facilitated the direct interaction between producers and end users, a situation conducive to building mutually rewarding relationships. Post liberalization, these trends were clearly evident in India. A lot of organizations in the manufacturing and the automobile sector formed joint ventures with Japanese, Korean and American corporates during the last two-three decades (Maruti-Suzuki,Hero-Honda,Bajaj-Allianz etc.) . Their overseas partners, apart from latest technology, brought in best practices like TQM[2], TPM[3], Six-Sigma and lean-manufacturing, all of which amply underline the need for organizations to be customer-centric.

In the following sections, the researchers summarize the findings of secondary research conducted by them during the period from April - August 2011.

## MARKETING PRACTICES IN THE PRE-INDUSTRIAL ERA

The pre-industrial era was characterized as an economy that was predominantly agricultural and traded in art and artifacts (Sheth and Parvathiar, 1995, p.405).

Relationship orientation in marketing was evident during the pre - industrial era. These relationships continued for generations, as producers and consumers trusted each others' families (Kingson et al.,1986, p. 97). Products were customized and mostly made to order. Such a situation did not warrant aggressive marketing efforts such as advertising or price competition.

Relationships between traders, to which roots of B2B marketing can be traced, were built up in the pre -industrial era based on mutual trust. For example, in Africa, most traders had business transactions only with select clans, and it was next to impossible for outsiders to break into the system (Mwamula-Lubandi, 1992, p.146). Palanpuri clan of Gujarat (India) and Orthodox Jews were known for their domination in diamond trade all over the world (Rothermund, 1993, p.7). Old 'silk route' linking China, Afghanistan and India was leveraged by Chinese traders to expand their market (Li, 1981, p.4).

Development of open-air markets or bazaars consolidated the ongoing business and trade (Sheth and Parvathiar, 1995, p. 407). Apart from providing common platforms for buyers and sellers to facilitate regular, periodic exchanges such as bazaars discouraged nomadic trade, minimizing the risk of fly-by-night traders swindling gullible customers. Though the seeds of relationship marketing were sown in the pre - industrial era, it took a long time for the tree to be fully grown as is explained in the subsequent sections.

## MARKETING PRACTICES IN THE INDUSTRIAL ERA

Industrialization led to mass production of goods driven by mass consumption. To achieve economies of scale in order to be cost effective, mass production was imperative. This was a major fall out of industrial revolution resulting in production of goods in excess of the local demand, unlike the pre -industrial era, where the production of artifacts was

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[2] Total Quality Management
[3] Total Productivity Maintenance

limited to the demand that existed. This led to increased inventories, which had to be sold aggressively. Thus emerged the channels of marketing viz. wholesalers, distributors and retailers, who apart from storing the excess inventory, also found buyers for the goods stocked by them. Study of distribution channels that provided time and place utilities was the foundation on which modern marketing theories were built (Bartels,1965, p.48). Other promotional tools such as personal selling, advertising and sales promotion evolved during this period to stimulate demand for the excess production.

Borden (1954, p.4) and McCarthy (1960, p.37) developed the concept of the marketing mix popularly known as the 4Ps of marketing. Transactional marketing based on 4Ps (Product, Place, Price and Promotion) 'rapidly became the overwhelmingly dominant marketing paradigm' (Dixon and Blois, 1983, p.101). According to Harker & Egan (2006, p. 217): "The inherent simplicity of the 4Ps….. ensured the rise and rise of the model and its attendant Marketing Mix Management ."

The simplicity of marketing mix theory, where in the entire body of marketing knowledge was defined in terms of the 4 Ps made it so immensely popular that soon it made all the other theories redundant and formed the basis of modern "Transactional Marketing" (Aijo,1996, p.9) . The dominance of this theory was so overpowering that Kotler (1977, p.5) regarded as a marketing guru defined marketing as "….a human activity directed at satisfying needs and wants through exchange processes." The words 'exchange processes' emphasize the dominance of transactional marketing mindset of all and sundry connected with marketing. This definition of marketing, in retrospect, did not make it any better than the selling approach, because of its overly high emphasis on exchanges, which are nothing but transactions.

The limitation of transactional marketing theory as one suited for growing markets was exposed when it failed to provide solutions to marketers during times of stagnation (Gronroos, 1991, p.8). Most of the products developed during the 1970s and 80s had started to stagnate. Customers started demanding tailor made products, marketing of goods made way for solutions marketing, the dominant component of which was the service backup. Transactional marketing theory, which was product-oriented, was found hideously out of place in the rapidly changing marketing ecosystem, where the customer was the focal point.

Desperate attempts by marketers to push their sales by resorting to puffery, persuasive selling and other such unethical practices further alienated them from customers. Marketers realized the hard way that they had to come out of the transactional mindset and focus on mutually beneficial, long lasting relationships, which in a way was rediscovering the virtues of relationship focus that prevailed in the pre - industrial era.

## THE RE-EMERGENCE OF RELATIONSHIP MARKETING

The term 'Relationship Marketing', alluded to by Thomas (1976, p.311) was first explicitly used by Berry (1983,p.25) who defined Relationship Marketing as:

"Attracting ,maintaining and –in multi-service organizations-enhancing customer relationships."

Marketers began to realize that building up healthy, long-term relationships with the customers was the only way to stand out in the 'crowd'. Empirical studies proved that the cost of acquiring a new customer was four or five times more than retaining an existing customer (Reichheld, 1996, p.43). Service imperative and solutions selling further strengthened the orientation of marketers towards relationship marketing (Shapiro and Posner, 1979, p. 77).

Palmer (1994, p. 573) emphasized the importance of relationship marketing as under:

"Successful marketing should focus attention not just on how to gain new customers, but how to develop loyalty from those that an organization has previously and expensively gained. It is about seeing a relationship from the customers' perspective and understanding just what they seek in a relationship."

Commenting on the importance of trust in relational exchanges Phambuka-Nsimbi (2011,p. 8) stated :

"Mistrust serves to decrease commitment in the relationship and shifts transactions to one of more direct short-term exchanges."

Within industrial (B2B) and service markets, the interactive participation of the customer is required to successfully complete the exchange (Gummeson, 1987, p.11).These interactions lead to lasting relationships.

In between the extremes of absolute Transactional Marketing and Relationship Marketing, Gronroos (1991, p.9) saw a multiplicity of options combining elements of both systems, much as the majority of national governments employ a mixture of free markets, and state controlled planning . He further suggested that the true decision facing firm was not Transactional Marketing or Relationship Marketing, but rather where on a "marketing strategy continuum" the company should place itself (p.11). Starting at the Transactional Marketing end of the continuum, the category he considered most appropriate for a completely transactional approach was consumer packaged goods, followed in order by consumer durables and industrial products. He placed services at the Relationship Marketing end of the spectrum (p. 9).

Annual rate contracts and MOUs with suppliers, centralized purchases calling for management of national accounts paved the way for a concept that later came to be known as Key Account Management (KAM) as opposed to stand alone dealings with individual units of an organization by the suppliers (Shapiro and Wyman,1981, p.104). Mutual trust and confidence were the cornerstones of these relationships. As aptly stated by Parvathiar & Sheth (2000, p.14): "Instead of purchasing a product or service, customers were more interested in buying a relationship with a vendor."

Emergence of direct relationships between suppliers and customers led to the rebirth of relationship marketing that existed in the pre -industrial era, there by making it a complete circle. According to Parvathiar and Sheth (2000, p.13), the factors responsible for the shift in the orientation of suppliers from transactional to relationship were:

**a)** Rapid strides made by the IT sector.

**b)** The TQM movement, where the entire focus of the organization is on the customer.

**c)** Emergence of services as a predominant component of solutions selling.

**d)** Increased competition making it imperative for the suppliers to come out with new strategies for retaining customers.

These developments made the role of middlemen redundant and fostered strong bonding of suppliers with their customers. The above factors were not specific to developed countries, but were equally applicable for emerging economies like BRICS[4] countries and a host of other Asian and African nations. Relational exchanges leading to collaborations give strategic meaning to resources (Walker, 1988, p. 236). The resulting competitive advantages derived from a partner's resources serve to sustain strong relationships (Sethuraman, Anderson & Narus, 1988, p.339). The disincentive to terminate a relationship is the future gains which can be achieved by staying in the relationship. In true cooperative relationships, a long-term perspective is taken; short term sacrifices are outweighed by the long-term gains. Joint investments by suppliers and customers on R&D, IT and Systems Integration wherein they could leverage the combined resources further cemented the bonds between them.

## EVOLUTION OF BUYER-SELLER RELATIONSHIPS

Relationships evolve through five general phases viz. Awareness, Exploration, Expansion, Commitment and Dissolution (Dwyer, Schurr and Oh, 1987, p.15).

❖ **Awareness :** Awareness is a unilateral, pre-exchange process. It refers to party A's recognition that party B is a feasible exchange partner.

❖ **Exploration Phase :** Mutual considerations and dyadic interactions initiate the exploration phase. It consists of five sub processes viz. Attraction, Communication and Bargaining, Development and Exercise of Power, Norm Development and Expectation Development (Scanzoni,1979, p. 67).

❖ **Expansion Phase :** The five sub - processes introduced in the exploration phase also operate in the expansion phase. The range and depth of mutual dependence increase in this phase.

❖ **Commitment Phase :** The commitment phase supports high levels of mutual dependence by circumscribing the exchange relation with value structures and contractual mechanisms that ensure its durability.

Three measurable criteria of commitment are Inputs, Durability and Consistency.

❖ **Inputs :** Significant economic, communication and/or emotional resources may be exchanged by relationship partners.

❖ **Durability :** Willingness of parties to bond themselves in such a way as to facilitate their continued investment in the relation. Neither party would undertake such investments without an expectation that the relationship will continue long enough to recover its costs.

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[4] Brazil, Russia, India, China and South Africa.

❖ **Consistency :** When the input levels of one party fluctuate, the other party will have difficulty predicting the outcomes from the relationship. Pressure to adjust rather than dissolve a relationship is fueled by the ongoing benefits accruing to each partner.

❖ **Dissolution Phase :** Though some scholars have conceived dissolution as the reverse of relationship formation, Dwyer et al. (1987, p.20) were in favor of consolidating termination into one phase. While bilateral efforts are required for building up a relationship, dissolution in contrast is initiated unilaterally. Baxter (1985, p.247) identified two key dimensions of disengagement strategies: directness and other-orientation. Direct strategy is explicitly informing the other party of one's desire to leave a relationship. Other-orientation captures the degree to which the disengager attempts to avoid hurting the other party in a break-up.

In the last 25-20 years, India witnessed mutually rewarding relationships being formed and after moving through successive phases described above, the relationships ultimately got dissolved (for instance, Hero-Honda and TVS-Suzuki) .

## THE COMMITMENT –TRUST THEORY

Many organizations have begun to realize that cooperation in an affiliated network is the key to success and not predatory competition as suggested by economic theory (Bleek and David, 1993, p.1).

Morgan and Hunt (1994, p.22) , proponents of the commitment-trust theory, which emphasizes the spirit of cooperation and collaboration, defined Relationship Marketing as:

"All marketing activities directed towards establishing, developing and maintaining successful relational exchanges."

Commitment and trust were identified by Morgan and Hunt (1994, p. 22) as the "Key Mediating Variables"(KMVs) of relationship marketing, which act as mediators between five antecedents (p.23) viz Relationship termination costs, Relationship benefits, Shared values, Communication and Opportunistic behavior and five outcomes viz. Acquiescence, Propensity to leave, Cooperation, Functional Conflict and Uncertainty (p. 23).

Results of their study indicated that firms committed to the relationship acquiesce because they are willing to do so as opposed to exercising of coercive power, compelling the firms to compliance.

The commitment - trust theory maintains that those networks characterized by relationship commitment and trust engender cooperation, apart from the other four outcomes mentioned earlier. For trust and commitment to develop in a relationship, firms should (Morgan and Hunt,1994, p.34) do the following :

**1)** Provide resources, opportunities and benefits that are superior to the offerings of alternate partners.

**2)** Maintain high standards of corporate values and allying themselves with exchange partners having similar values.

**3)** Communicate valuable information, including expectations, market intelligence and evaluations of partners' performance.

**4)** Avoiding malevolently taking advantage of their exchange partners.

Morgan and Hunt (1994) concluded that the actions listed above will enable firms and their networks to enjoy sustainable competitive advantages over their rivals (p. 34).

## CRITICISM OF COMMITMENT & TRUST THEORY

Morgan and Hunt's (1994) interpretation of relationship marketing was considered by many scholars to be too broad and inclusive. Peterson (1995, p.279) opined that many of the partnerships such as buyer partnerships, supplier partnerships, internal partnerships and lateral partnerships included by Morgan and Hunt in their definition of relationship marketing were outside the domain of marketing, and hence their inclusion risked diluting the value and contribution of the marketing discipline in directing relationship marketing practice and research or theory development.

Parvatiyar and Sheth (2000, p. 8) supported this view of not defining relationship marketing too broadly to dilute the role of marketing discipline in developing the theory and practice of relationship marketing . According to them, "Relationship marketing has the greatest potential for becoming a discipline and developing its own theory if it delimits its domain to the firm-customer aspect of the relationship."

Parvatiyar and Sheth (2000, pp. 16-18) put forward the process model of relationship marketing, wherein four sub -

processes or stages as under were identified :

**1)** Formation Process

**2)** Management and Governance Process

**3)** Performance Evaluation Process

**4)** Relationship Enhancement Process

## IMP PERSPECTIVE OF RELATIONSHIP MARKETING

Industrial Marketing and Purchase (IMP) Group started in Germany more than 30 years ago are into research in the industrial marketing domain. They had undertaken two major research projects known as IMP1 and IMP2 (Hakansson & Snehota,2000, p. 70), apart from forming a research network connecting researchers spread over several countries in EU and other parts of the globe.

❖ **IMP1 :** Researchers spread across five countries in Europe collected descriptive data about buyer-seller relationships in the B2B context, during the period 1976-82,the underlying hypothesis being "the content of supplier –customer relationships is broader than simple economic exchanges" . The theoretical outcome of IMP1 was elaborated as "the interaction model of buyer-seller relationships" (Hakanson,1982, p.15). The interaction model then became a base for further elaboration of conceptual frameworks and propositions with regard to international purchasing (Hallen,1980,p.56) and marketing strategies (Hallen et al.,1989, p.35).

❖ **IMP 2 :** The focus of IMP2 which took-off in 1986 was on "Interdependencies in and between the relationships and the effects of interdependencies on the companies involved" (Hakansson and Snehota, 2000, p.72). Empirical studies of business networks have addressed the issue of connectedness in business relationships and the effects of interdependencies (Blackenberg and Johanson, 1990, p.5).

In the studies conducted by IMP, three different types of issues often came into focus in the relationships: Technical, Social and Economic (Hakansson and Snehota, 2000, pp.75-78).

❖ **Technical Content :** Technicians often play an important role in the contacts between companies. A study conducted in a Swedish company found that key customers perceived R&D Managers as the most important individual in the interactions.

❖ **Social Content :** Interactions happen between individuals who get the opportunity to develop social relationships. Trust, commitment and influence/power while used positively can enhance the relationships .They can also create problems if any of the parties try to use them to their advantage. Underlying the social content of most inter-organizational relationships are the interpersonal relationships that develop among individuals in the partner firms.

❖ **Economic Content :** A relationship can be seen as an asset and market investment. For established companies, some of their largest resources are their existing relationships. Hakansson and Snehota (2000, p.79) further theorized that :

**1)** Business relationships are connected. They are the elements of a wider economic network. Relationships are connected to each other and are a part of something larger. All interactions ,therefore, in some way or the other mirror the larger context. Every relationship has to be seen and judged in relation to the connected relationships that either of the two counterparts has with others and in some situations, in relation to relationships between third parties. Every relationship is also a part of something larger; it is an integrator of surrounding relationships. In other words, every relationship is not only a bridge between two actors, but is also a reflector of other surrounding relationships. Networking as a concept has a much deeper meaning in this context.

**2)** A relationship is a combination. It affects productivity and efficiency in firms and can ,therefore, be used to exploit complementarities between activities performed by different companies and their resources. Relationships can be used to link activities to each other, combining individual adaptations and scale-effective production. In many industrial settings, business relationships are a key mechanism of efficiency.

**3)** Relationships are a confrontation. They are a way to create a confrontation of the two parties' knowledge, which affects resource development and thus, innovativeness. A relationship can be used by the two parties to activate, develop and direct resources toward each other. Technical development mostly takes place in the interface between companies as they represent different resources or knowledge areas.

## INTEGRATED MODEL OF BUYER-SELLER RELATIONSHIPS

Wilson (1995, p. 1) attempted to develop an integrated model that blends the empirical knowledge about successful relationship variables with the conceptual process models. The basic premise of this model is that many of the variables (used for modeling relationships) are active in different stages and become latent in others.

Wilson (1995, pp. 7-13) listed out the variables that are found to have theoretical and empirical support (for modeling relationships) as under:

❖ **Commitment:** A critical variable in measuring the future of a relationship.

❖ **Trust :** A belief that one relationship partner will act in the best interests of the other.

❖ **Cooperation:** Cooperative Behavior allows the partnership to work, ensuring that both parties receive the benefits of the relationship.

❖ **Mutual Goals:** The degree to which partners share goals that can be accomplished only through joint action.

❖ **Power Imbalance:** The ability of one partner to get the other partner to do something he or she would not otherwise do (Anderson and Weitz,1989, p.312).

❖ **Performance Satisfaction:** The degree to which the business transaction meets the business performance expectations of the partner.

❖ **Comparison Level of The Alternative:** Anderson and Narus (1990, p.43) define the comparison level of the alternative as the quality of the outcome available from the best available relationship partner. If there is a wide array of high-quality partners, dependence will be low, but if the level of $Cl_{alt}$ (comparison level of the alternative) is low, the partner will be less likely to leave the relationship.

❖ **Adaptation:** Adaptation occurs when one party in a relationship alters its processes or the item exchanged to accommodate the other party (Han and Wilson,1993). Adaptations tend to bond the buyer and seller in a tighter relationship and create barriers to entry for competing suppliers (Hallen et al., 1991, p.30).

❖ **Non Retrievable Investments:** Also known as idiosyncratic investments, they describe the relationship-specific commitment of resources that a partner invests in the relationship, which cannot be recovered if the relationship terminates.

❖ **Shared Technology:** The degree to which one partner values the technology contributed by the other partner to the relationship.

❖ **Structural Bonds:** Structural bonds develop over time as the level of investments, adaptations and shared technology grows until a point is reached when it may be very difficult to terminate a relationship.

❖ **Social Bonds:** It has been found that buyers and sellers who have strong personal relationships are more committed to maintaining their relationships than are less socially bonded partners (Mummalaneni and Wilson,1991, p. 7).

The constructs (variables) have both an active phase, during which they are the center of the relationship development process, and a latent phase, during which they are still important but not under active consideration in relationship interaction. For instance, trust may be very active in the early stages of the process, but may then become latent until some development such as a change in managers, makes it active again.

## RELATIONSHIP MARKETING AND KEY ACCOUNT MANAGEMENT

Firms looking for ways to leverage their suppliers' capabilities for enhancing the value delivered to their customers move away from adversarial relationships with multiple suppliers towards close long-term relationships with fewer suppliers (Spekman, 1988, p. 75).

The guiding principle of Key Account Management (KAM) is the 80-20 rule, i.e. 20% of the customers account for 80% of the sales. The KAM approach is different from the traditional approach on the crucial parameters depicted in the following table (Canon and Narayandas, 2000, p.409).

| Parameter | Traditional approach | KAM approach |
|---|---|---|
| Time horizon | Short term | Long term |
| Objective | Maximize revenue | Obtain position of preferred supplier |
| Selling firm interface | Individual sales person | Group of people from various disciplines |
| Buying firm interface | Relatively few contacts | Many people |
| Relative dependence | Varies | High interdependence |
| Product | Core | Core+ Augmented |

In India, steel majors like SAIL, TATA Steel and JSW[5], all leading banks and insurance companies servicing business clients, leading players in IT/ITES sectors have already embraced this philosophy. MOUs with major customers shielding them from frequent rate hikes and offering them volume based incentives quite common in all the above sectors have been found to be very effective and mutually rewarding.

❖ **Pricing And Cost-to-serve Key Accounts :** Sellers can lose a significant amount of money serving the wrong set of customers. Key accounts usually get the lowest price (because of the volume they contribute) and the highest service, which may cut into the profitability of the supplier. Kaplan (1990, p.12) narrates the case of a heating wire manufacturer, whose top two customers accounted for (-)150% of the firm's total profit. Sellers should take great care in managing customers' expectations of price, considering the fact that key accounts are more costly to serve. They should extract the right price for the value created. Sellers need to develop relationships that will enable them to receive fair returns for their services.

❖ **Future Trends And Implications For KAM**

**1)** Customers are reducing their supplier bases by tiering their suppliers and dealing directly with only their designated primary suppliers. They expect these primary suppliers, in turn, to take on the responsibility of monitoring and managing secondary/other smaller suppliers. For example, one industrial customer expects their electrical component supplier to also manage the plant service operations.

**2)** Customers who have global operations expect suppliers to provide coordinated services in locations around the world (Yip and Madsen, 1996, p. 25). Global customers make procurement decisions centrally but expect the products, services and other value added activities to be provided locally.

**3)** Increased use of internet facilitating timely and cost-effective interactions between buyers and sellers.

**4)** Technology (ERP)[6] has enabled sellers to integrate their marketing, sales and services for managing buyers through all stages of the purchase cycle.

## RELATIONSHIP MARKETING AND DISTRIBUTION CHANNELS

Channel activities are a major source of value-added benefits to end users providing an opportunity to firms to develop competitive advantage by reducing the costs of performing these activities and using distribution as a differentiator (Weitz and Zap,1995 , p.308).

Further, independent channel members like to offer an assortment of goods to the end customers and may not be comfortable patronizing only a single supplier. This limits the degree to which trusting and committed relationships can develop in conventional channels.

The extent firms go to manage relationships in conventional channels to develop a competitive advantage is limited by the concerns they have about channel firms entering into multiple relationships with competitive suppliers and sharing sensitive information with competitors.

The above limitations of conventional channels led to the emergence of Vertical Marketing Systems viz. corporate, administered and contractual (Havaldar and Cavale, 2011, pp. 271-273) . Of late, there has been a gradual shift from corporate vertical channels to the conventional independent channels due to the realization by firms that they lack

[5] Jindal South-West
[6] Enterprise Resource Planning

adequate distinctive competencies to manage the channel activities resulting in system inefficiencies, which the latter possess.
The realization that parties in a relationship are more likely to engage in constructive conflict resolution when they are equal in power further encouraged this shift.
Ganesan (1993, p.186) observed that a long-term orientation of the channel partners reduces the use of active aggressive negotiating strategies.
Stressing the importance of information sharing by partners for successful collaborative relationships, Andotra and Chalotra (2011,p. 33) suggested that "Frequent sharing of business information in a cordial and friendly environment would enable the parties to solve any problem tactically, without jeopardizing the interests of others."
Conflict theorists have noted that under certain conditions, ill-timed discussions can aggravate, rather than reduce, conflicts in a relationship (Weitz and Zap,1995 , p.235) . Sometimes, it is better to defer a discussion than having an ill-timed one.

## RELATIONSHIP MARKETING AND CUSTOMER VALUE CREATION

Marketing strategies, including relationship marketing, should enable organizations to provide superior value to the end customer.
The value-chain concept mooted by Michael Porter[7] had the following inadequacies(Morgan,2000, pp. 496-97) :

**1)** Value arises from the firm's resources and how those resources are managed. For the activities (nine in number-categorized into core and secondary) identified by Porter to be able to produce superior value in the long run, the firm must possess or have access to unique, valuable resources, the existence of which cannot be taken for granted.

**2)** The value chain encourages a focus on the functional areas or disciplines of business and their tasks, rather than on the resource management activities which should, in fact, be the focus of all managers. They should be more versatile and have a complete picture of the firm and its environment than a narrow, discipline-based understanding. Gummesson (1991, p.69) argued that to be successful, relationship marketing must be practiced by all employees. Relationship resources are the responsibility of the entire organization.

**3)** The value chain fails to truly reflect the flow of value to the end customers . It oversimplifies the value-creation process by merely tracing the linkages between one firm's value chain to that of the other, wherein the output of one firm is passed along to the next in the value chain. Network organizations however go beyond mere multiple linkages. They recognize the need for reciprocation of resources and emphasize the importance of the social content of the relationships. Portions of value produced by the networked activities and processes commonly flow back through the supply chain, which the value-chain concept fails to capture.

## RELATIONSHIP MARKETING AND CRM

The elements of relationship marketing, combined with 'customer-centric' marketing, should ideally form the foundation for CRM . The perspective of CRM has been narrowed down greatly by the practitioners due to competitive pressures and short term compulsions reducing it to a metaphor (O'Malley and Tynan, 1999, pp.589 - 597). In the present context, CRM is a little more than a software package. Many companies, either buying or selling CRM solutions, do not seem to go beyond the narrow IT approach. While RM is a philosophy, CRM has been reduced to an IT tool/technology (O'Malley et al., 2008, p.178). Reward points offered by credit-card companies and loyalty programs of airline companies are a case in point.
Ramesh (2011, p. 52) commented on the advent of loyalty programs in India as under :
In India (sic.), many companies have made inroads (sic.) into loyalty programs successfully. Mega cards, Petrocards, Debitcards are some of the loyalty cards used by Indian companies.
No wonder in the course curriculum of some of the business schools, CRM figures under the IT discipline and not as a marketing major. This is somewhat disappointing as the academia are expected to help marketing managers integrate

[7] For further details, please refer to Michael E. Porter (1985). “Competitive Advantage: Creating And Sustaining Superior Performance.” New York: The Free Press.

the philosophy and spirit of relationship marketing into CRM, instead of it being treated as one more tool in their repertoire.

## FUTURE OF RELATIONSHIP MARKETING

In 2004, the AMA ( American Marketing Association) came up with a new definition of marketing :

" Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders ."

Among the ironies of the third millennium, relationship marketing is the organizations who were the first to embrace relational marketing strategies that were largely from the consumer goods sector (who focused heavily on loyalty programs) when much of the literature on Relationship Marketing did not consider this sector the most suitable for adopting RM strategy.

This aberration not withstanding, the only logical direction relationship marketing can take is strategic partnerships and collaborations between the relationship partners, be it supplier- customer alliances in the B2B context or channel partnerships/alliances irrespective of whether the products distributed are B2B or B2C. In a larger relationship context, marketing could culminate into global partnerships and strategic alliances, which may range from structural bonds at the one end to mutually beneficial joint ventures at the other.

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