

MARKETING

Relationship marketing: is it the way ahead?

Relationship marketing is a term that has crept into the marketing vocabulary in recent years. What is relationship marketing? Is this just some new 'in' idea that will blow away after a few years or is it here to stay? How did it come about? What are the implications for managers, asks Albert Caruana.

The slowly changing world between the 1950's and the middle of the 1970's favoured the establishment of large bureaucratic hierarchical organisations. Typically the sales department gradually evolved into a marketing department staffed by specialists. Their role was to consider the relatively stable circumstances that they faced in the environment with a view to maximising profit. Marketing was essentially seen as being about the study of exchange transactions between two parties, generally between the seller and the buyer. The transaction was seen as an exchange of value and the challenge to the marketer was how to create value to help the seller attract the buyer.

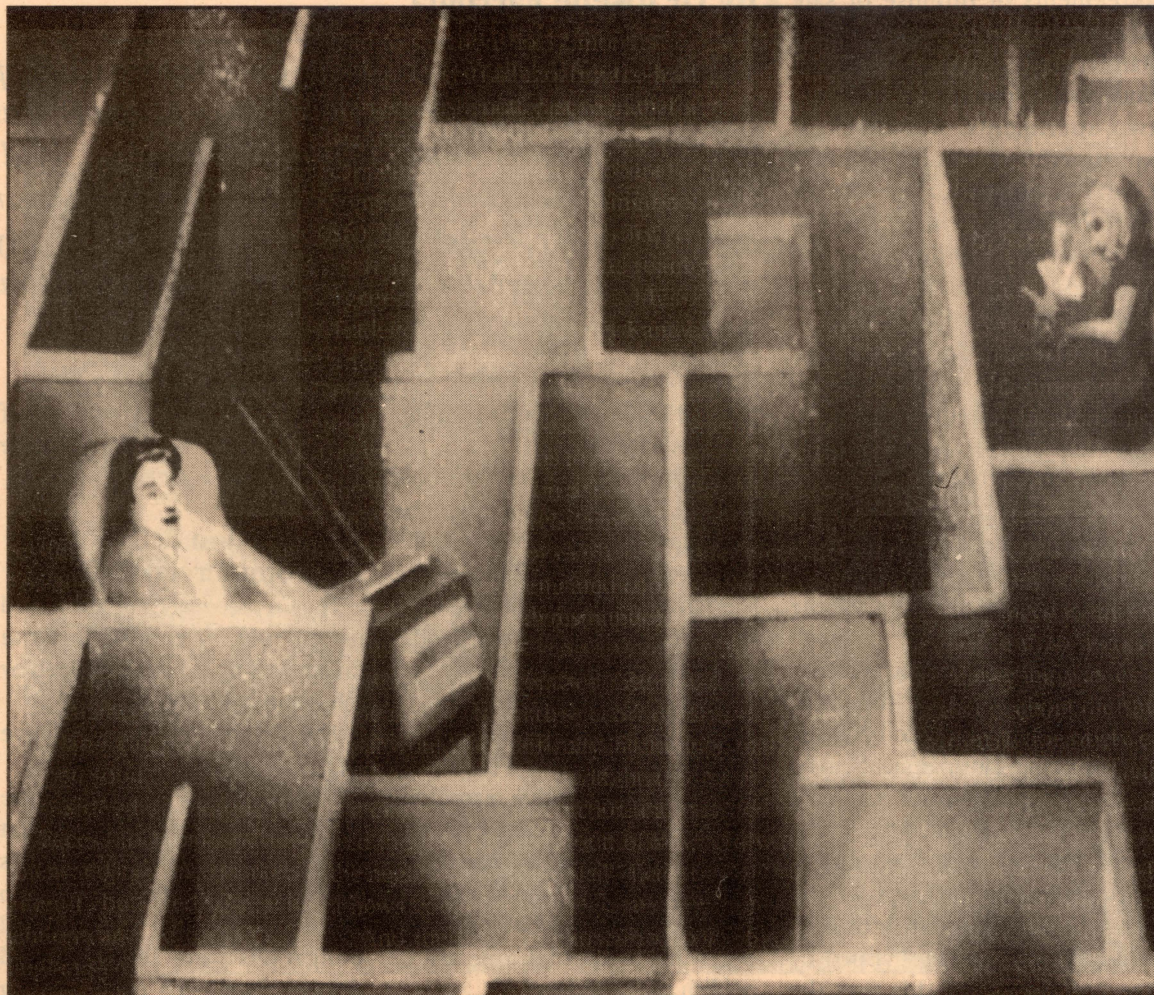
Recent years have witnessed accelerating changes in technology, competition and consumer preferences that have necessitated new forms of organisations, variously referred to as alliances, vertical integration and networks. Indeed global competition is increasingly taking place not between single firms but between network of firms. To be an effective participant in the global market it is necessary to be a reliable member in some network.

This has seen marketing shifting away from its original focus on

single transactions and final customers to what is being called relationship marketing, where the exchange relation is seen as being much wider than just the final customer. Robert Morgan of the University of Alabama and Shelby Hunt of Texas Tech University see relationship marketing as referring to all marketing efforts directed towards establishing, developing, and maintaining successful relational exchanges.

Long term

Relational exchange is by its very nature of a long term kind. Organisations need to maintain relationships not just with buyers but also internally, laterally and with suppliers. Buyer partnerships involve relationship not only with final customers but also with distribution intermediaries such as wholesalers, supermarkets and other retailers. Supplier partnerships focus on the partnering involved in relational exchanges between manufacturers and their goods' suppliers, such as in 'Just In Time' (JIT) procurement, as well as relational exchanges with service providers such as advertising agencies. Internal partnership refers to the relational exchange with employees (or what up to some



time ago used to be referred to as internal marketing, particularly in service companies) as well as relationships with the various intra-organisation structures (divisions, departments) and entities (subsidiaries, business units). Finally, lateral partnerships focus on the various types of alliances with competitors as well as with government/s in such things as joint research and development. It is believed that the relationships brought about by relationship

marketing can provide a comparative advantage in resources that can result in a position of sustainable competitive advantage in resources that can result in a position of sustainable competitive advantage in the global market place and, hence superior financial performance.

Valued relationship

Empirical research by Morgan and Hunt indicates that the level of

relationships commitment and trust are the two key mediating that are critical in the management of relationship marketing. Relationship commitment refers to an enduring desire to maintain a valued relationship while trust exists when one party has confidence in an exchange partner's reliability and integrity.

Relationships marketing has a number of implications to practising managers. Thus, management must choose partners carefully; they need to structure partnerships cautiously; allow sufficient time for relationships to grow; maintain and encourage open lines of communications; and finally, maintain a corporate culture that is open and trustworthy. Relationship marketing is not a passing fad but represents a significant shift in the marketing discipline. Marketing will likely no longer be the responsibility of a few specialists who primarily focused on coordinating the elements of the marketing mix (often referred to in its simplest form as the four p's of marketing, namely: product, place, promotion and price). Marketing will devote more attention to the management of the organisation's relationships with its various partners. It will come to the responsibility of everyone in the organisation.

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Surmounting organisational pitfalls by implementing relationship marketing.