

Chapter 2

The Evolution of Relationship Marketing Orientations

ABSTRACT

There has been a shift in the business focus from transactional to relationship marketing. Companies have been increasingly implementing relationship-marketing practices in order to survive in highly competitive markets. The main objective of this chapter is to understand the emergence of the relationship-marketing orientations. This chapter starts with examining the marketing practices of the pre-industrial, industrial, and post-industrial periods with the purpose of demonstrating that relationship orientation in the post-industrial era is rebirth of marketing practices of the pre-industrial age. After outlining the factors that cause re-emergence of relationship orientation in the post-industrial era, the emergence of the relationship-marketing school of thought is briefly discussed. This chapter ends with comparing the transactional marketing practices with relationship marketing practices.

INTRODUCTION

The business environment is changing very radically. While times have been tough and competitive, traditional approach to marketing is no longer sufficient to cope with the challenge because one shot sales focused transaction marketing practices can jeopardize the long-term interest of the company. On the other hand, in the relationship marketing philosophy, the attraction of new customers is the first step in the marketing process, but the most important key is to retain these customers because customer retention allows the company to develop long-term relationships with customers and this

encourages repeated and increased frequency in buying activities and protects long-term interests of the enterprise (Payne, 1994; Yau et al., 2000). As potential advantages of reducing the level of customer churn by improving the retention rates of profitable customers (Reichheld & Sasser, 1990; Webster, 1992; Reichheld & Teal, 1996) have been realized, many enterprises have been increasingly implementing relationship marketing practices in order to survive in highly competitive markets. Concentrating on customers and retaining existing customers are seen as the key to success. As the traditional transactional approach to marketing has been increasingly questioned in past

decades, the concept of relationship marketing has been gaining popularity although the ideas behind it are not new.

There has been a shift in the business focus from transactional to relationship marketing where the customer is at the center of business activities. Relationship marketing moves the dyadic exchange from a short-term transaction orientation to a life-long process in order to meet the customer needs more effectively. Relationship marketing becomes an essential strategic tool for the enterprises in today's dynamic market in which customer needs are changing continuously. As enterprises notice the need to get close to customers in order to achieve customer retention, maximize profits and keep costs low, the domain of CRM extends into many area of marketing and strategic decisions. The evolution and diffusion of relationship marketing practices will be discussed in this chapter in attempt to get an idea about the past, present and future relationship marketing practices.

THE EMERGENCE OF THE RELATIONSHIP MARKETING PRACTICES

Although relationship marketing has been becoming popular and has been considered as an emerging new phenomenon in the last decades; pioneers of the relationship marketing literature argue that the antecedents of relationship marketing practices go back to the pre-industrial era (Sheth & Parvatiyar, 1995; Parvatiyar & Sheth, 2000; Sheth and Parvatiyar, 2000; Parvatiyar & Sheth, 2001; Palmer, 2002). Sheth and Parvatiyar (1995) tried to trace the evolution of relationship marketing and identified its antecedents in order to demonstrate that relationship marketing practices date back to the pre-industrial era. They reviewed the history of marketing practices and they concluded that relationship orientation in the

post-industrial era, which was a clear paradigm shift from the transactional orientation of the industrial era, was really a rebirth of marketing practices of the pre-industrial age.

Sheth and Parvatiyar (1995) demonstrated the existence of relational marketing practices between the traders and customers and also among traders by explaining the characteristics of business practices of pre-industrial era. Pre-industrial society was largely based on agricultural economy and the trade of art and artifacts. Farmers sold their products directly in bazaars, artisans produced customized products according to the needs of their customers so there was a direct interaction between traders and their customers. During the trade of products, consumers and producers met together face to face. This direct interaction led to relational bonding between the producer and consumers and the producer functioned as both manufacturer and retailer (seller) of its own products (Sheth & Parvatiyar, 1995).

Relational bonding not only existed between the producers and consumers but also existed among traders in the pre-industrial era. Sheth and Parvatiyar (2000) explained the significance of relational bonding among the traders by giving examples from business practices of pre-industrial period. Clan oriented trading and trading activities on silk route were the important business practices of pre-industrial era and these business practices required ongoing trade relationships. As, hit and run sellers were also part of the market system, ongoing trade relationships became a crucial element of business practices of pre-industrial societies. Traders wanted to do business with trusted partners. The economic history of the silk trade route was a good example that proved the importance of ongoing business relationships in pre-industrial era. Chinese silk producers cooperated with the designers and weavers in order to facilitate future trade and these business relationship practices created interdependencies between marketing actors. Therefore it can be concluded

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