CHAPTER 1

Relationship Marketing – Some Reflections on the State-of-the-Art of the Relational Concept

THORSTEN HENNIG-THURAU

URSULA HANSEN

University of Hanover

With the concept of relationship marketing approaching a stage of maturity, the authors give a comprehensive overview of the main research findings in the field of relationship marketing theory. They use this review to draw out some proposals for future resource allocation in relationship marketing research.

1. Introduction

Sixteen years have passed since the relationship marketing concept was first mentioned in the literature, by Berry (1983), and the concept is still *en vogue*, maybe more so now than ever before. As Brown (1997, 171) has observed, not without a touch of irony, "Faced with the prospect of missing the last train to scientific respectability, many marketing academics...are desperately rummaging through their past publications and rejected manuscripts in a frantic search for the magic word, the word which will enable them to announce that they have been relationship marketers all along and are thus entitled to a seat on board." The concept has found its place in marketing theory and has become an integral part of standard textbooks on marketing (e.g. Kotler 1997, 36-61). In recent years, it has also become a key topic in leading books on consumer behavior (Sheth, Mittal & Newman 1999, 696-769). All in all, using the vocabulary of lifecycle theory, the concept of relationship marketing is approaching its maturity stage (Berry 1995; Hennig-Thurau, Klee & Langer 1999).

As the concept moves through adolescence, new challenges arise for theory and practice. Since the concept is now widely accepted, the (often one-sided) issue of whether the relational approach represents a paradigm shift for marketing theory (omnipresent - not to say dominant - in the first phase of relationship marketing theory development; see, for example, Aijo 1996; Grönroos 1994; 1996; Gummesson 1996) is no longer of relevance. Instead, the arrival of the third millennium sees relationship marketing theory confronted with several specific and pressing issues and problems of theoretical and practical relevance. Accordingly, we pursue two goals within this chapter. First, we want to give an overview of the central findings of the first phase in the development of relationship marketing theory. Second, we want to spotlight some issues and questions which should (and hopefully will) play a major role in the second phase of theory development that is now beginning.

2. Where We are Today: Important Findings

There is wide agreement that relationship marketing is different from traditional (or, as it is often titled now, “transactional”) approaches to managing exchanges. Given the contextual character of marketing knowledge (Sheth & Sisodia 1999), there is no such thing as a “general theory” of relationship marketing, and there probably never will be. Nevertheless, several important findings arising from the first phase of the ongoing theoretical development of the concept may help to engender an understanding of relationship marketing and support the development of practical solutions or further theoretical insights in this field. Below we summarize several of these critical issues in relationship marketing using our subjective interpretation of what relationship marketing stands for today.

The concept of relationship marketing is built on three distinct, yet somehow interrelated, theoretical approaches. Most of the contributions cited hereafter are based on a *behavioral perspective* of relationships (which, incidentally, is rather an expression of the authors’ scholarly position than evidence for the superiority of the approach). Progress with relational constructs like trust and satisfaction, the conceptualization and economic evaluation of customer retention, and most work on internal relationships, can all be attributed to this behavioral perspective. The other two theoretical approaches relevant for knowledge generation in relationship marketing are network theory and new institutional economics. The *network approach* focuses on the interactive character of relationships in the field of business-to-business marketing and takes an inter-organizational perspective. Firms are viewed as actors in several multifaceted, complex, and long-term social systems called networks of relationships (Low 1996). The approach is closely associated with the work of Scandinavian researchers like Håkansson (1982; Håkansson & Snehota 1995) and is a dominant motive in the work of the IMP Group (see the overview by Turnbull, Ford & Cunningham 1996). As with other fields of marketing theory, the *new institutional economics approach* tries to use modern economic theories to explain the development and breakdown of relationships. These theories include transaction cost theory (e.g. Backhaus, Adolphs & Büschken 1996; Söllner 1994) and agency theory (e.g. Kleinaltenkamp

1994; Mishra, Heide & Cort 1998), and view relationship marketing as a question of matching particular relationship dimensions to the situation at hand, with the overall goal of minimizing the costs of structuring and managing a given relationship.

2.1 So What's so Special about Relationship Marketing?

A meaningful impression of what relationship marketing stands for has managed to emerge within the last decade. The main elements of the concept have been illustrated by several authors through a comparison of relationship marketing with the competitive concept of transactional marketing. Table 1 presents a compilation of key differences between the two concepts (see Diller 1991; Glynn & Lehtinen 1995, 103-106; Hansen & Bode 1999, 294-296).

Table 1

Key differences between the concepts of relationship marketing and transactional marketing

Criterion	*Relationship marketing*	*Transactional marketing*
Primary object	Relationship	Single transaction
General approach	Interaction-related	Action-related
Perspective	Evolutionary-dynamic	Static
Basic orientation	Implementation-oriented	Decision-oriented
Long-term vs. short-term	Generally takes a long-term perspective	Generally takes a short-term perspective
Fundamental strategy	Maintenance of existing relationships	Acquisition of new customers
Focus in decision process	All phases focus on post-sales decisions and action	Pre-sales activities
Intensity of contact	High	Low
Degree of mutual dependence	Generally high	Generally low
Measurement of customer satisfaction	Managing the customer base (direct approach)	Monitoring market share (indirect approach)
Dominant quality dimension	Quality of interaction	Quality of output
Production of quality	The concern of all	Primary concern of production
Role of internal marketing	Substantial strategic importance	No or limited importance
Importance of employees for business success	High	Low
Production focus	Mass customization	Mass production

Correspondingly, Diller (1995a; 2000, in this book) has identified seven *key principles* of relationship marketing; individualization, information, investment, interactivity, integration, intention, and selectivity. When offering the kinds of customized or individualized products or services requested by a majority of customers today, it is usually necessary to draw on customer-related information stored in large databases. Furthermore, relationships with customers should be interpreted as capital assets. This means that investments have do be made, either in product usability, in services, or in the customer him- or herself. If relationships are interpreted as assets, then there is a concomitant need for careful resource allocation and prioritization of selected market segments (see Rapp 2000, in this book). Finally, in contrast to the anonymous character of isolated transactions, long-term relationships are often built on personal and social bonds. These bonds might be strengthened by the integration of customers in the value production process.

Several authors have declared relationship marketing a paradigm change for marketing theory: “We have to realize that it is a new paradigm, not just a new model” (Grönroos 1996, 315). However, with the growing acceptance of the relational concept, some researchers have drawn on the philosophy of science and begun to analyze this proposition more subtly. Using Thomas Kuhn’s theoretical framework, Backhaus (1997) has formulated two indispensable conditions which must hold if a new concept is to represent a paradigm shift in marketing theory: (a) a new paradigm must cover all issues and facts in the field, and (b) new methods and tools for theoretical analysis must be provided. Relationship marketing may not be relevant in certain exchange constellations (e.g. situations where hit-and-run strategies are more appropriate) and it draws on preexisting constructs and solutions (e.g. customer satisfaction, trust), rather than creating new ones. Backhaus therefore concludes that relationship marketing (despite its undisputed importance) does not meet the required conditions and therefore does *not* represent a paradigm shift for marketing theory (see also the pugnacious position of Brown 2000, in this book).

2.2 Customer Retention and Related Constructs as Key Target Variables of Relationship Marketing

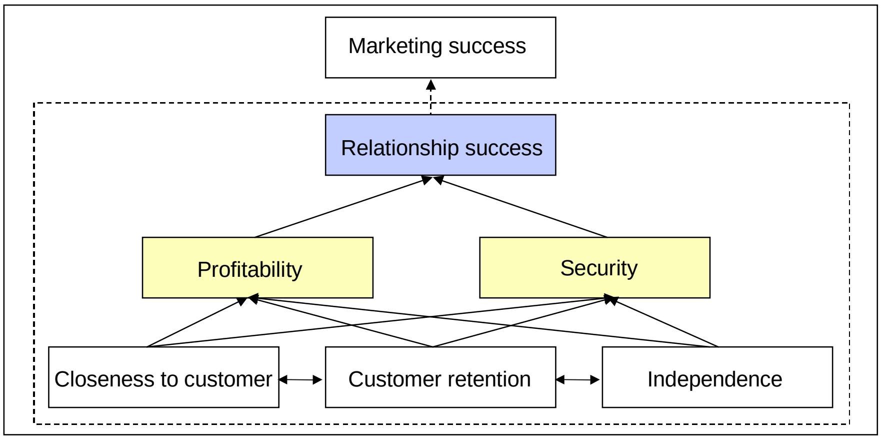
In the relationship marketing literature, there is wide agreement on the crucial role of *customer retention* and related constructs for relationship marketing success (e.g. Crosby & Stevens 1987; Heskett *et al.* 1994; Reichheld & Sasser 1990; Rust & Zahorik 1993; Sheth 1996). Although retention can be defined in a rather general way as the repeated patronage of a marketer or supplier by a customer, the construct is operationalized in several different ways (see Diller 1996 for a comprehensive overview of alternative indicators of retention). In addition, some authors use retention interchangeably with other constructs, including customer loyalty and repeat purchasing behavior. However, retention has a purely behavioral character, while today’s interpretations of the loyalty construct generally include both behavioral *and* attitudinal aspects (Jacoby & Chestnut 1978; Morgan, Crutchfield & Lacey 2000, in this book). Another difference is that retention views the marketer as the active party, while loyalty focuses more on intrapersonal aspects of customer behavior. Retention and loyalty differ from repeat purchasing behavior in that they both imply an intentional component, i.e. there is a reason for the customer's repeat purchasing - it does not occur by chance (Klee & Hennig 1996).

The relevance of customer retention for a firm's profitability (as a measure of economic success) has been the subject of several recent studies. It is argued that an increase in retention leads to cost reductions and sales increases (Reichheld & Sasser 1990). Cost reduction effects include the amortization of sales, marketing and set-up costs over a longer period of time, and the reduction of service costs as a result of the growing expertise of customers. It is proposed that growth in sales results from increased expenditure over time, positive word of mouth through loyal customers and the willingness of loyal customers to pay a price premium. As the intensity of these factors varies across different businesses, Payne and colleagues have developed (Payne & Rickard 1997) and implemented a model for measuring the impact of each respective factor on profitability (Payne & Frow 2000, in this book). A different, but no less promising, approach to a better understanding of the impact of retention on profitability can be seen in the differentiation of types of loyalty according to psychological state, e.g. the customer's involvement (Bloemer & Poiesz 1989; Diller 2000, in this book).

Finally, it is important to note that retention and loyalty are closely related to, but not the same as, economic relationship marketing success. Figure 1 identifies the target variables within the complex relationship marketing system (Diller 1995a; 2000, in this book).

Figure 1

A systematization of target variables of relationship marketing



2.3 Key Variables for Relationship Success

A crucial issue from a practical standpoint concerns the constructs determining customer retention or loyalty. Here, relationship marketing research has reached a relatively advanced state. While several different determining variables have been proposed, the discussion clearly focuses on the three constructs of customer satisfaction (or service quality), trust, and commitment (see, for example, Dorsch, Swanson & Kelley 1998; Smith 1998). Their proposed role is demonstrated through their interpretation as dimensions of relationship quality (Hennig-Thurau 2000, in this book; Smith 1998).

According to the disconfirmation paradigm, *customer satisfaction* is understood as the customer's emotional or empathic reaction to a perceived difference between performance appraisal and expectations. Broadly speaking, disconfirmed expectations lead to dissatisfaction, while the confirmation of expectations leads to satisfaction (see, for example, Oliver 1980; Rust, Zahorik & Keiningham 1996; Yi 1990). The customer's perception of quality is a quite similar construct to satisfaction and has been discussed intensively, particularly in the context of service relationships (Parasuraman, Zeithaml & Berry 1988; Rust & Oliver 1994). Although both constructs are treated as distinct by most researchers, no consensus exists regarding the interrelations between them. While some authors suggest that satisfaction is an antecedent of quality (Bitner & Hubbert 1994; Bolton & Drew 1991), others argue for the inverse relation, i.e. quality influencing satisfaction (Peyrot, Cooper & Schnapf 1993; Stauss 1999; Woodside, Frey & Daly 1989). It has recently been shown that the link between satisfaction and retention is much more complex and multifaceted than earlier interpretations suggest (Bolton 1998; Hansen & Emmerich 1998; Hennig-Thurau & Klee 1997; Stauss & Neuhaus 1997).

Trust exists if a customer believes a service provider to be reliable and to have a high degree of integrity (e.g. Moorman, Zaltman & Deshpandé 1992; Morgan & Hunt 1994). Trust is a mutual construct; "If firms ask for customer trust, they should also trust their customers in return" (Cowles 1996, 3). As the development of trust in the provider is a powerful strategy for reducing the risk perceived by customers in a transaction (Sheth & Parvatiyar 1995), trust is of particular importance when a high degree of uncertainty exists (Grönroos 1994).

Commitment can be described as the customer's orientation towards a long-term business relationship, based on emotional bonds (i.e. affective commitment; Geyskens *et al.* 1996; Moorman, Zaltman & Deshpandé 1992) and a conviction that remaining in the relationship will yield higher net benefits than terminating it (i.e. calculative or cognitive commitment; Geyskens *et al.* 1996; Söllner 1994).

2.4 Some Relationship Marketing Instruments

Although relationship marketing is clearly a strategic concept, its implementation requires the informed use of powerful instruments. This instrumental dimension of relationship marketing was largely neglected in the early academic discussion of the concept, but has received increasing attention in recent years. Grönroos (1994) claims that relationship marketing offers an alternative to the traditional 4P classification of marketing instruments. Nevertheless, most scholars do use this classic paradigmatic framework when identifying adequate marketing instruments for building and maintaining relationships with customers. In addition, new instruments have been developed which integrate two or more of the Ps. Some of the consequences for the four classical marketing instruments (i.e. product and/or services, communication, pricing, and distribution) of a more relational orientation are given below, and some integrative tools are highlighted.

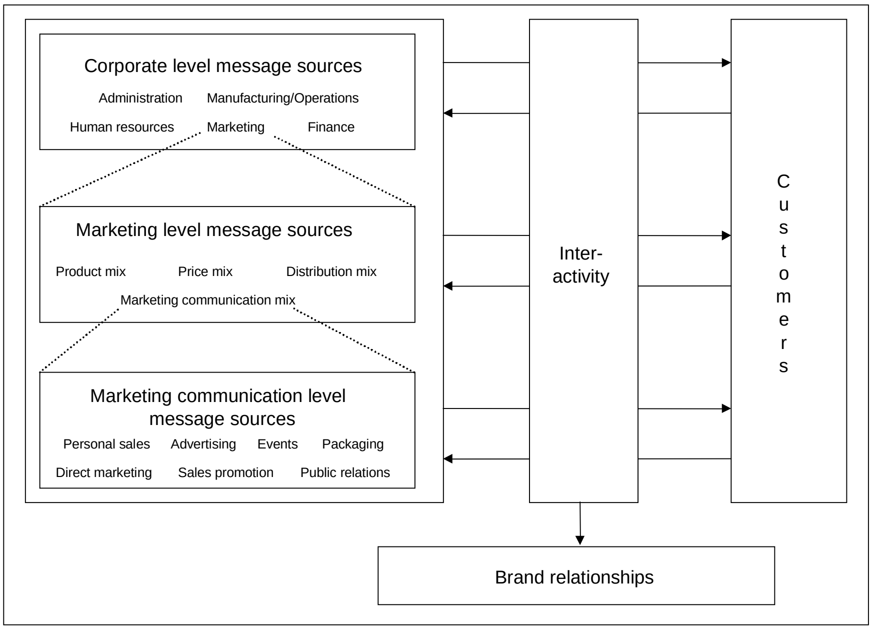
Product and/or services. A key impact of relationship marketing on product policy is the integration of customized elements in what were previously standardized products for mass markets. Modern information technology allows firms to individualize their products and services according to the varying needs of their customers (Kotler 1989; Pine 1993). LEVI'S (McKenna 1995; Pine, Victor & Boynton 1993) and HALLMARK are good examples of such a mass customization approach. With regard to the design of services, research has identified the crucial dimensions of service quality (Parasuraman, Zeithaml & Berry 1988). Particular emphasis has been given to social aspects of service quality (Bitner, Booms & Tetreault 1990; Goodwin & Gremler 1996) and the importance and difficulties of empowering service employees (Argyris 1998; Dahle 2000, in this book; Liljander 2000, in this book).

Communications. Duncan and Moriarty (1998) have developed a communication-based model for managing relationships. As shown in Figure 2, their model gives special attention to two aspects; the need for integrated communication and the demand for interactive communication. The need for integration stems from the assumption that "everything a company does (and sometimes does not do) sends a message that can strengthen or weaken relationships" (Duncan & Moriarty 1998, 8) and applies to different organizational actors as well as to different marketing activities. Interactivity as "a hallmark of the paradigm shift" (Duncan & Moriarty 1998, 8) stresses that as well as talking to (at) customers, you also need to listen to what they have to say. A complaint management system is considered one of the most powerful tools for listening to customers (Andreasen 1988; Blodgett & Granbois 1992; Hansen, Jeschke & Schöber 1995; Jeschke, Schulze & Bauersachs 2000, in this book). Customer satisfaction engendered through the appropriate treatment of complaints is known to lead to an increase in retention and positive word of mouth (Brown & Beltrani 1989). Other interactive communication tools include internet chatrooms, email correspondence and telephone hotlines (Diller 1998; Hansen & Jeschke 1992; Vavra 1992).

Pricing. Relationship-oriented pricing is centered on the application of price differentiation strategies. It has been proposed that pricing should correspond to customer lifetime values. This proposal represents an attempt to estimate the net present value of the current and future potential of various customers or customer segments (Andon, Baxter & Bradley 1998; Berger & Nasr 1998). A promising approach is to identify several price functions by taking the perspective of the customer as he or she goes through the various stages of the decision process (Diller 1997a). Such an approach stresses the relevance of pricing for customer satisfaction and trust. In relationship marketing practice, however, pricing is mostly used to promise customers "immediate" benefits, e.g. by offering discounts. There is a considerable danger that such a pricing strategy leads to "cold" loyalty, rather than true customer commitment. This can work against a company's relationship-oriented efforts (Hennig-Thurau, Gwinner & Gremler 2000; Morgan, Crutchfield & Lacey 2000, both in this book).

Figure 2

A communication-based model for managing relationships



Distribution. The general message of relationship marketing for distribution is that it should get closer to the customer (Barnes 2000, in this book). Relationship marketing research has made various important contributions regarding the design of the service encounter environment (or "servicescapes," as named by Bitner 1992), the integration of electronic shopping into distribution systems, and the prolongation of the value chain through disposal-related activities (e.g. product recycling; Hansen & Jeschke 1992). Moreover, the need for individualized information in relationship marketing means that distribution systems also need to be used for collecting data (Vavra 1992).

Integrative instruments. Relationship marketing researchers and practitioners have also developed some new marketing instruments. These instruments generally combine various elements from existing tools, as is the case with customer clubs and customer cards (Chojnacki 2000, in this book; Diller 1997b). Customer clubs, for example, integrate communication, distribution, and price-related activities and may thereby contribute positively to customer commitment, trust, and satisfaction (Diller 1997b).

2.5 Relationship Marketing is Dynamic, not Static

Early research on relationship marketing shows that relationships are of a dynamic, rather than static, nature, and that this dynamism needs to be considered by relationship marketing researchers as well as practitioners. Several different process models of relationship development have been proposed. In a widely cited article, Dwyer, Schurr, and Oh (1987) distinguish between five general phases in a dynamic model of relationship marketing: *awareness*, *exploration*, *expansion*, *commitment*, and *dissolution*. Broadly speaking, their framework suggests that, after becoming aware of the company for the first time, customers search for exchange benefits and perform trial purchases. There is an increase in the benefits obtained from the relationship once transactions have been evaluated positively, and a commitment towards the relationship develops. Finally, as relationships rarely last forever, the customer eventually withdraws from the relationship for whatever reason and switches to another supplier. Other authors have taken closely-related approaches, using lifecycle theory to model the dynamics of relationship marketing, sometimes varying the number of relationship stages (e.g. Diller 1995b).

Some empirical studies have given support to the relationship lifecycle theory (Diller 1994; Palmer & Bejou 1994). However, as with lifecycle theory in product innovation research, there are some caveats. Most importantly, relational lifecycle theory does not make sense as a deterministic concept and is better seen as a didactic concept. This is because lifecycle patterns can vary considerably in practice and are also closely dependent on the activities of the partners in the relationship.

2.6 Relationships are all Around Us - Even Inside the Firm

Relationship marketing is not limited to a firm's relationships with its customers. There are at least two reasons why the competent management of relationships with other stakeholders can be seen as necessary for economic profitability. First, as Heskett and colleagues have illustrated within their concept of the service profit chain (Heskett *et al*. 1994; Loveman 1998), customer satisfaction (as a central antecedent of customer loyalty) does not exist in isolation. On the contrary, before a company can generate satisfied and loyal customers through customer relationship management, it must first ensure employee satisfaction and employee loyalty through the equally intensive management of internal relationships. This management of relationships *inside* the firm is at the center of the internal marketing concept (Bruhn 1995; Grönroos 1990; Jeschke, Schulze & Bauersachs 2000, in this book; Liljander 2000, in this book). *Internal marketing* aims to produce customer-oriented staff through a set of marketing and personnel policy initiatives. Although internal marketing may be of special relevance in industries where the service encounter is critical to the customers' evaluation of company performance (e.g. in most services, including hairdressers and restaurants), it is also obligatory in sectors with low levels of customer contact. This point is illustrated in the work of Gummesson (1991), who has introduced the term *part-time marketer* to highlight the importance of each employee's behavior for value creation.

A second reason for extending the scope of relationship marketing to include non-customer relationships is found in the literature on *stakeholder management*. Christopher, Payne, and Ballantyne (1991) go beyond the above-mentioned relationships with customers and employees and distinguish between relationship management in supplier and "influence" markets, the latter including financial and government organizations. Gummesson (1999) has identified no less than 30 relationships at different levels, including (among others) those with competitors, shareholders and the media. However, if we accept this broad interpretation of relationship marketing, then we have to ask whether a common denominator exists for these different types of relational partners, one that would legitimize their joint interpretation.

3. Looking Ahead: Some Emerging Perspectives

The research mentioned throughout Section 2 has made valuable contributions to a comprehensive understanding of the development of successful relational exchanges. However, as the concept is still relatively young, there remain numerous unanswered questions. The development of a "general theory" of relationship marketing must still be considered a distant vision rather than an imminent reality. We now use the existing stock of knowledge to identify some largely unexplored, yet relevant, aspects of relationship marketing and call for these issues to be addressed in research. Our list of topics is, of course, highly selective and subjective, but may at least serve as inspiration for future research activities, and as stimulation for an academic discussion.

3.1 Integration of Relationship Marketing Knowledge

Most studies in the field of relationship marketing use data from a single type of industry. While there has been intensive discussion of services (e.g. Brill 2000; Payne & Frow 2000; Rapp 2000, all in this book), marketing channels (e.g. Ganesan 1994) and business-to-business relationships (e.g. Dwyer, Schurr & Oh 1987), less attention has been given to relationship marketing in consumer goods markets (but see Fournier 1998 and Sheth & Parvatiyar 1995). Sector-dependent research publications are generally restricted to a limited audience and the results are not used by managers from different industries (e.g. only a few consumer goods marketers will read the *Journal of Service Research*). One important challenge for the future development of relationship marketing theory is therefore the integration of industry-specific knowledge into a *general theory base*. The expertise accumulated in each respective environment must be reanalyzed with regard to its potential transferability into different contexts. For instance, the results of service quality research can provide valuable insights for consumer goods marketers if general results and conclusions can be separated out from the industry-specific ones. At the same time we have to accept that the search for a unified theory and industry-independent generalizations is a demanding task. The purely rhetorical proclamation of "general" models and knowledge, as found in several publications on relationship marketing, is counterproductive and not helpful.

3.2 The Customer's Reference Object

In most publications, the personality of the customer's reference object within a relationship plays a rather peripheral role. However, it seems reasonable to expect this reference object to significantly influence the appropriateness of relational strategy decisions. As a generalization, we can distinguish between three different kinds of reference objects in relationship marketing: (a) *employees*, (b) *branches and companies*, and (c) *products or brands*. Relationships with employees are of particular relevance in services marketing (Goodwin & Gremler 1996; Liljander 2000, in this book) and follow their own rules. Social aspects are often crucial for these kinds of relationships. The corporate identity of a firm and the degree to which it has integrated its communication are of special relevance for customer loyalty in relationships between customers and branches or companies. A firm's apparent sense of social responsibility often replaces personal social behavior as the main reason for building a relationship. Customer-brand relationships have only been investigated by a few researchers (see Fournier 1998 and Sheth & Parvatiyar 1995). In these relationships, it is the brand's role in customer self-identity that is of particular importance in determining whether the same brand will be bought again and again. Future relationship marketing studies should give more attention to the differences (and similarities) arising from the customer's "choice" of reference object (see Hennig-Thurau, Gwinner & Gremler 2000, in this book).

3.3 International Relationship Marketing

Previous discussion of relationship marketing has only rarely focused on internationalization issues (Homburg & Kiedaisch 1999). This is surprising, as recent years have seen a rapid increase in the interest of companies in internationalizing their business activities. Today, globalization is undoubtedly a "mega-trend" in marketing and business, but we can expect there to be serious differences between domestic and international business relationships. We suggest that the key challenges for relationship marketing theory in the context of internationalization concern the following areas:

- culture, understood as a "set of [collective] values and beliefs that provide norms for behavior" (Slater & Narver 1995, 67), is a well-established determinant of customer behavior (see, for example, Sheth, Mittal & Newman 1999, 147-151). A relationship partner's evaluation of relationship quality is highly subjective and influenced by that individual's own values and norms. There is a strong need to learn about specific cultural influences on those norms and values relevant to the evaluation of relationships before becoming active in a new country (e.g. is the use of power appropriate?). The few existing studies on this subject focus solely on business-to-business relationships, so we need more understanding of this issue in the context of service relationships in general and more specifically the service encounter itself (Botschen 2000, in this book).
- transnational relationships, i.e. relationships where the customer and supplier are located in different countries. Exploratory research suggests that the quality of transnational relationships is lower than that of domestic relationships (Kiedaisch 1997). This means that context-specific threats and problems have to be considered when managing transnational relationships (Palmer 2000, in this book). For example, the larger social and physical distance between partners in a transnational relationship usually leads to lower trust.

3.4 A Customer Perspective of Relationship Marketing

Right from the beginning, relationship marketing theory has tended to focus on the *suppliers' perspective*, rather than that of the customers. Little attention has been given to the willingness of the customer to become or stay a relational partner, even though there is wide consensus that relationships have to be "mutually perceived and mutually beneficial" (Berry 1995, 239; see also Fournier, Dobscha & Mick 1998). There continues to be extensive debate on the potential advantages to firms of developing lasting relationships with their customers (e.g. Narayandas 1998; Payne & Frow 2000, in this book; Reichheld & Sasser 1990). However, the motives and wishes of the *customer* with regard to the relationship, and his or her reasons for entering and maintaining this relationship, have at best only been analyzed implicitly.

Lately, a number of authors have started to develop this field of research and redress the disequilibrium (e.g. Bendapudi & Berry 1997; Gwinner, Gremler & Bitner 1998). However, numerous questions still remain unanswered. Future research activities must address the following knowledge deficits:

- is the typology of relational benefits proposed by Gwinner, Gremler, and Bitner (1998) all-embracing, or do additional benefits exist (Hennig-Thurau, Gwinner & Gremler 2000; Liljander 2000, both in this book)? In addition, are there factors that block relationship development, i.e. are there such things as relational barriers (Rosenberger 2000, in this book)?
- how do relational benefits influence the stability and success of relationships? More specifically, how are they related to relationship quality and relational outcomes (Reynolds & Beatty 1999)?
- are *all* customers equally interested in *all* kinds of benefits, or do distinct customer segments exist with regard to relational benefits (Hennig-Thurau, Gwinner & Gremler 2000, in this book)?

Another issue might concern the interrelations between switching barriers (e.g. contractual agreements) and customer perceptions of relational benefits.

3.5 The Use of Information and Communication Technologies in Relationship Marketing

It is often argued that the rapid progress of information and communication technologies has strongly accelerated the popularity and acceptance of relationship marketing. At the same time, the integration of these technologies into the relational concept is only rarely discussed in the relationship marketing literature. There are at least two areas of research which would seem promising (if not indispensable) in this context:

- creating customer value through individualized products and services is only possible using powerful customer databases. Information from different sources needs to be combined. These sources can be both external (e.g. customer satisfaction surveys, demographic and psychographic customer information, regular consumption patterns) and internal (e.g. employee satisfaction surveys, resources, costs). The customer-oriented construction and use of information files will become critical to the proper management of true one-to-one relationships (Ahlert 2000, in this book). Since the collection of information about a customer usually requires his or her willing participation, customers need to be convinced that the information they provide will not be used in any way that offends or disturbs them. Firms will have to learn that the use of customer information also has a lot to do with the development of trust, a central antecedent of customer retention (O'Harrow 1998).
- a second research area concerns the use of new technologies and media in a company's external communication (Hupp 2000, in this book). A framework is required that describes the consequences of a firm's web pages for the relational behavior of its customers. Such a framework must also account for the influence of product and customer characteristics, as well as the limited controllability of internet communication. As Stauss

(2000, in this book) demonstrates, the credibility of official communication can be threatened by information about the company made available over the internet by single consumers.

3.6 Strategic Resource Allocation

In relationship marketing, relationships with single customers are interpreted as capital assets requiring appropriate management and investment. Although several strategic tools and methods have been proposed by relationship marketing researchers (e.g. customer portfolio analysis, lifecycle analysis), there has been little discussion of strategic resource allocation. We have to distinguish between three basic strategies with regard to this resource allocation:

- first, relationship marketing investments can be made in *services*. This means that companies may increase customer satisfaction and retention by supplementing their core products with additional services (Brill 2000; Meyer & Blümelhuber 2000, both in this book). These value-added services can be thought of in terms of the phases of the consumption process and include pre-sales services (e.g. product information, parking facilities), sales-related services (e.g. packaging, transport), and after-sales services (e.g. repair, product maintenance, disposal).
- second, investments can be made in *customers*. In interpreting the customer as a partner in the value production process, customer behavior becomes the critical element in value creation and, subsequently, customer satisfaction and retention (e.g. imagine if the customer is unable to accurately program a VCR and is disappointed about missing his/her favorite movie). Customer behavior may be changed by improving customer skills and knowledge through training, interactive manuals and related activities (Hennig-Thurau 1998; 2000, in this book; Honebein 1997).
- third, relational investments can be focused on *product design*. There is a need to improve product usability (as opposed to just visual attractiveness), since product use is crucial for satisfaction and retention. Usability describes “the capability [of a product] to be used easily...and effectively” (Shackel 1984, 53). Lohrum (2000, in this book) gives good examples of the value of usability-related investments.

3.7 Relationship Marketing Implementation

Implementation issues are another largely-neglected aspect of relationship marketing with massive practical relevance. Implementation refers to the adaptation and modification of a company’s value base, strategies, structures, and reward systems in accordance with the fundamental axioms of relationship marketing.

It is no surprise that implementation issues have been largely ignored in the context of relationship marketing, since implementation only plays at best a "supporting role" in the general marketing literature. This lack of discussion on marketing implementation seriously contradicts the claim that marketing is a holistic concept of management and company leadership.

Several future research challenges can be identified in the field of relationship marketing implementation. These challenges include (see Klee 1999):

- the *normative* dimension of management. If relationship marketing is taken seriously, then relationship building cannot be limited to tactical and operative activities, but demands a wider reconsideration of the company's business values and norms. The importance of long-term relationships with customers has to become a central part of a firm's corporate culture. This implies a need for an analysis of the potential of different corporate identity strategies in relationship marketing implementation.
- the *strategic* dimension of management. Goals and business strategies have to be modified to account for the successful management of relationships with customers. Efforts to develop a systemization of success variables for relationship marketing have to continue, but these variables (e.g. customer retention, relationship quality) must also be considered in the light of more traditional concepts, allowing a more relationship-oriented perspective of overall business strategy.
- the *organizational* dimension of management. Organizational issues in relationship marketing implementation include the creation of an appropriate organizational structure, a powerful personnel policy that incorporates adequate incentive and reward systems for company employees, and, closely related to this, a relationship-oriented control system. If relationship marketing is to be effective, then companies must (through their organizational structures) recognize that customers are co-producers in a boundless (or imaginary) organization (Gummesson 1998, 247; Hansen & Bode 1999, 267, 296). Current incentive systems are predominantly transaction-oriented. Factors like length, stability, and (of course) profitability of existing relationships should be considered as complements to these traditional variables. More attention also needs to be given to the identification of useful heuristics for personnel selection, thereby helping to ensure that staff fit the demands of relationship marketing. Finally, control systems must include relationship marketing criteria (e.g. relationship quality) if a company is to be able to effectively monitor its relationship-oriented performance.

3.8 Regaining Lost Customers

The rise of relationship marketing has seen marketing theory turn away from the problems and strategies associated with gaining new customers and become focused on those management issues concerned with keeping existing customers. However, this change of perspective has tended to forget one other group of customers: those who were loyal to a company for a long time but for some reason have terminated the relationship. The concept of regain management complements relationship marketing theory by focusing on those customers. Regain management, as defined by Stauss and Friege (1999), "encompasses the planning, realization, and control of all processes that the company puts in place to regain customers who either give notice to terminate the business relationship or whose relationship has already ended." A number of unanswered questions are associated with this attempt to "prolong" the relationship marketing concept:

- there must be timely identification of customer exit decisions and actions in order to regain lost customers. A permanent control system must be implemented that accurately monitors relational development on a one-to-one basis.
- successful regain strategies depend on an understanding of the reason for a customer's decision to leave the relationship. Existing customer information databases must be expanded to incorporate this parameter. As previous research on customer retention has shown (e.g. Hennig-Thurau & Klee 1997), there are a number of contextual and situational factors that strictly limit the potential success of regain activities (e.g. when the customer has moved away).
- if customers are given incentives to return to the business relationship, then this may lead to strategic customer behavior. In order to receive attention and incentives, for example, a customer might signal to the company that he or she is about to leave the relationship. The development of instrumental tools also has to take into account the negative side effects of regain management.
- Activities directed at regaining customers must, like any other relationship marketing action, pay off. There is therefore a great need to integrate customer lifetime value analysis with regain management.

4. Concluding Remarks

Today, relationship marketing "is at the forefront of marketing practice and academic marketing research" (Berry 1995, 243). As the concept is now reaching the maturity stage of its lifecycle, this chapter takes the opportunity to summarize the major contributions that have been made to relationship marketing theory. These include the distinction from transactional marketing, retention as a key target variable, dimensions of relationship quality, relationship marketing instruments, the concept's dynamic character, and the multitude of relationship types.

In addition, the chapter provides an outlook on the future challenges faced by the relational paradigm. This will hopefully provide some guidance for ongoing theoretical work in the field of relationship marketing and also stimulate some new research. These challenges include emerging aspects of relationship marketing which we feel have been neglected in past academic and practical discussions. Included are issues like the need for differentiation of industries and customer reference objects, international relationships, relationship marketing from the customer's perspective, the role of technology, resource allocation, relationship marketing implementation, and regain management.

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