Has today's dominant marketing mix paradigm become a strait-jacket? A relationship building and management approach may be the answer.

From Marketing Mix to Relationship Marketing:

Towards a Paradigm Shift in Marketing

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The marketing mix management paradigm has dominated marketing thought, research and practice since it was introduced almost 40 years ago. Today, this paradigm is beginning to lose its position[1-3]. New approaches have been emerging in marketing research. The globalization of business and the evolving recognition of the importance of customer retention and market economies and of customer relationship economics, among other trends, reinforce the change in mainstream marketing.

Relationship building and management, or what has been labelled *relationship marketing*, is one leading new approach to marketing which eventually has entered the marketing literature[2, 4-14]. A paradigm shift is clearly under way. In services marketing, especially in Europe and Australia but to some extent also in North America, and in industrial marketing, especially in Europe, this paradigm shift has already taken place. Books published on services marketing[15-17] and on industrial marketing[18-20] as well as major research reports published are based on the relationship marketing paradigm.

A major shift in the perception of the fundamentals of marketing is taking place. The shift is so dramatic that it can, no doubt, be described as a paradigm shift[21]. Marketing researchers have been passionately convinced about the paradigmatic nature of marketing mix management and the Four P model[22]. To challenge marketing mix management as the basic foundation for all marketing thinking has been as heretic as it was for Copernicus to proclaim that the earth moved[23, 24].

The purpose of this report is to discuss the nature and consequences of the dominating marketing paradigm of today, marketing mix management of the managerial school (cf.[25] and how evolving trends in business and modern research into, for example, industrial marketing, services marketing and customer relationship economics demand a relationship-oriented approach to marketing. Relationship building and management are found to be an underlying facet in the research into these areas. Relationship marketing is suggested as one new marketing paradigm, and a number of consequences for marketing and management of a relationship-type marketing strategy is discussed based on the notion of a marketing strategy continuum. Finally, the possibility of building a general theory of marketing based on the relationship approach is examined. A further discussion of the nature of the relationship marketing paradigm is, however, beyond the scope of this report.

Marketing Mix and the Four Ps

Marketing the way most textbooks treat it today was introduced around 1960. The concept of the marketing mix and the Four Ps of marketing – product, price, place and promotion – entered the marketing textbooks at that time[26]. Quickly they also became treated as the unchallenged basic model of marketing, so totally overpowering previous models and approaches, such as, for example, the organic functionalist approach advocated by Wroe Alderson[27,28] as well as other systems-oriented approaches (e.g.[29,30]) and parameter theory developed by the Copenhagen School in Europe (e.g.[31,32]) that these are hardly remembered, even with a footnote in most textbooks of today. Earlier approaches, such as the commodity (e.g.[33]), functional (e.g.[34]), geography-related regional (e.g.[35]) and institutional

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schools (e.g.[36]) have suffered a similar fate. Only a few models from these approaches have survived. American Marketing Association, in its most recent definition, states that "marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives" (emphasis added)[37].

Eventually the Four Ps of the marketing mix became an indisputable paradigm in academic research, the validity of which was taken for granted[10,16,38]. For most marketing researchers in large parts of the academic world it seems to remain the marketing truth even today. Kent[38] refers to the Four Ps of the marketing mix as "the holy quadruple...of the marketing faith...written in tablets of stone" (p. 146). For an academic researcher looking for tenure and promotion, to question it has been to stick out his or her neck too far. Prospective authors of textbooks, who suggest another organization than the Four P solution for their books, are quickly corrected by most publishers. As a result, empirical studies of what the key marketing variables are, and how they are perceived and used by marketing managers, have been neglected. Moreover, structure has been vastly favoured over process considerations[38]. In marketing education, teaching students how to use a toolbox has become the totally dominating task instead of discussing the meaning and consequences of the marketing concept and the process nature of market relationships. Marketing in practice has to a large extent been turned into managing this toolbox instead of truly exploring the nature of the firm's market relationships and genuinely catering to the real needs and desires of customers.

How Did the Marketing Mix Emerge?

A paradigm like this has to be well founded by theoretical deduction and empirical research; otherwise much of marketing research is based on a loose foundation and the results of it questionable. The marketing mix developed from a notion of the marketer as a "mixer of ingredients"[39]. The marketer plans various means of competition and blends them into a "marketing mix" so that a profit function is optimized, or rather satisfied.The "marketing mix", concept was introduced by Neil Borden in the 1950s (e.g.[40]), and the mix of different means of competitions was soon labelled the Four Ps[26].

The marketing mix is actually a list of categories of marketing variables and, to begin with, this way of defining or describing a phenomenon can never be considered a very valid one. A list never includes all relevant elements, it does not fit every situation, and it becomes obsolete. And indeed, marketing academics every now and then offer additional Ps to the list, since they have found the standard "tablet of faith" too limited[41-54]. It is, by the way, interesting to notice that since the Four Ps were definitely canonized sometime in the early 1970s, new items to the list almost exclusively have been in the form of Ps[55, 56]. Advocators of the marketing mix management paradigm have sometimes suggested that *service* should be added to the list of Ps (e.g.[53,57]). This would be disastrous, because it would isolate customer service as a marketing variable from the rest of the organization, just as has happened with the Four P marketing mix variables. It would effectively counteract all attempts to make customer service the responsibility of everyone and not of a separate department only.

In fact, the Four Ps represent a significant oversimplification of Borden's original concept, which was a list of 12 elements not intended to be a definition at all. Moreover, the elements of this list would probably have to be reconsidered in any given situation. McCarthy either misunderstood the meaning of Borden's marketing mix, when he reformulated the original list in the shape of the rigid mnemonic of the Four Ps where no blending of the Ps is explicitly included, or his followers misinterpreted McCarthy's intentions. In many marketing textbooks organized around the marketing mix, such as Philip Kotler's well-known *Marketing Management* [58], the blending aspect and the need for integration of the Four Ps are discussed, even in depth, but such discussions are always limited owing to the fact that the model does not explicitly include an integrative dimension.

In the 1950s in Europe, researchers within the so-called Copenhagen School approached marketing in a similar way to the notion of the marketing mix, based on the idea of *action parameters* presented in the 1930s by von Stackelberg[59]. Arne Rasmussen[31] and Gösta Mickwitz[32] developed what became known as *parameter theory*, which was a dynamic marketing mix approach linked to the product life cycle and where the parameters were integrated by means of varying market elasticities. Moreover, Mickwitz also stated that the demand side has to be connected to the supply side in a managerial marketing theory. This was done using an economic approach rather than a behavioural approach. Parameter theory was a much more developed model than the Four P version of the marketing mix notion. Unfortunately, it never received enough international attention, and eventually it was overwhelmed by the Four Ps that were much easier to comprehend and teach. Today, the key aspects of parameter theory, dynamism and an integration of consumer behaviour and managerial decision making are pointed out as important research topics (cf.[3]).

Probably Borden's original idea of a list of a large number of marketing mix ingredients that have to be reconsidered in every given situation was shortened for pedagogical reasons and because a more limited number of marketing variables seemed to fit typical situations observed in the late 1950s and in the 1960s by the initiators of the short list of four standardized Ps. These typical situations can be described as involving consumer packaged goods in a North American environment with huge mass markets, a highly competitive distribution system and very commercial mass media. However, in other markets the infrastructure is to varying degrees different and the products are only partly consumer packaged goods. Nevertheless the four Ps of the marketing mix have become the universal marketing model or even theory and an almost totally dominating paradigm for most academics, and they have had a tremendous impact on the practice of marketing as well. Is there any justification for this?

The Nature of the Marketing Mix

Any marketing paradigm should be well set to fulfil the *marketing concept*, i.e. the notion that the firm is best off by designing and directing its activities according to the needs and desires of customers in chosen target markets. How well is the marketing mix fit to do that?

One can easily argue that the four Ps of the marketing mix are not well able to fulfil the requirements of the marketing concept. As Dixon and Blois[60] put it, "...indeed it would not be unfair to suggest that far from being concerned with a customer's interests (i.e. somebody *for whom* something is done) the views implicit in the Four P approach is that the customer is somebody *to whom* something is done!" (emphasis added) (p. 4). To use a marketing metaphor, the marketing mix and its four Ps constitute a *production*-oriented definition of marketing, and not a market-oriented or customer-oriented one (see[10, 16]). Moreover, although McCarthy[26] recognizes the interactive nature of the Ps, the model itself does not explicitly include any interactive elements. Furthermore, it does not indicate the nature and scope of such interactions.

The problems with the marketing mix management paradigm are not the number or conceptualization of the decision variables, the Ps, as American Marketing Association as well as the authors of most publications criticizing the marketing mix management paradigm argue. Rather, the problem is of a theoretical nature. The Four Ps and the whole marketing mix management paradigm are, theoretically, based on a loose foundation, which in a recent *Journal of Marketing* article was also demonstrated by van Waterschoot and Van den Bulte[61]. They conclude: "To our knowledge, the classification property(-ies) or rationale for distinguishing four categories labelled 'product', 'price', 'place' and 'promotion' have never been explicated...Though casual observation of practitioners, students, and textbooks suggest a general consensus to classify marketing mix elements in the same categories, the lack of any formal and precise specification of the properties or characteristics according to which marketing mix elements should be classified is a major flaw". Van Waterschoot and Van den Bulte[61] recognize three flaws in the Four P model: "The properties or characteristics that are the basis for classification have not been identified. The categories are not mutually exclusive. There is a catch-all subcategory that is continually growing" (p. 85) (see also[38,62]). Many marketing-related phenomena are not included[63]. Moreover, as Johan Arndt[64,65] has concluded, marketing research remains narrow in scope and even myopic, and methodological issues become more important than substance matters. "Research in marketing gives the impression of being based on a conceptually sterile and unimaginative positivism...The consequence...is that most of the resources are directed toward less significant issues, overexplaining what we already know, and toward supporting and legitimizing the status quo"[64, p. 399]. Unfortunately, far too little has changed in mainstream marketing research since this was written over a decade ago.

The usefulness of the Four Ps as a general marketing theory for practical purposes is, to say the least, highly questionable. Originally, although they were largely based on empirical induction and earlier lists of marketing functions of the functional school of marketing (cf.[66]), they were probably developed under the influence of microeconomic theory and especially the theory of monopolistic competition of the 1930s (e.g.[67]), in order to add more realism to that theory. However, very soon the connection to microeconomic theory was cut off and subsequently totally forgotten. Theoretically, the marketing mix became just a list of Ps without roots.

Even in the area of consumer goods marketing in North America some doubts concerning marketing mix management has been expressed. Regis McKenna[68], a respected marketing consultant and writer, concludes in a discussion about the decline in North America of advertising, the flagship of traditional marketing, that "the underlying reason behind...(this decline)...is advertising's dirty little secret: it serves no useful purpose. In today's market, advertising simply misses the fundamental point of marketing – adaptability, flexibility, and responsiveness" (p. 13). Undoubtedly, this is to take it a little bit to the extreme, but the point is well taken. An interest in turning anonymous masses of potential and existing customers into interactive relationships with well-defined customers is becoming increasingly important (see e.g.[68-70]).

Consequences of the Marketing Mix

Managing the marketing mix makes marketing seem to easy to handle and organize. Marketing is separated from other activities of the firm and delegated to specialists who take care of the analysis, planning and implementation of various marketing tasks, such as market analysis, marketing planning, advertising, sales promotion, sales, pricing, distribution and product packaging. Marketing departments are created to take responsibility for the marketing function of the firm, sometimes together with outside specialists on, for example, market analysis and advertising. Both in the marketing literature and in everyday marketing vocabulary the expression "marketing department", and organization unit, is used as a synonym for marketing function, which is the process of taking care of the fulfilment of customer needs and desires. However, the organizational approach inherent in the marketing mix management paradigm is not very useful either (see e.g.[15,16,71-73]). The psychological effect on the rest of the organization of a separate marketing department is, in the long run, often devastating to the development of a customer orientation or market orientation in a firm. A *marketing orientation* with, for example, high-budget advertising campaigns may be developed, but this does not necessarily have much to do with true *market orientation* and a real appreciation for the needs and desires of the customers. The existence or introduction of such a department may be a trigger that makes everybody else lose whatever little interest in the customers they may have had[15]. The marketing department approach to organizing the marketing function has isolated marketing from design, production, deliveries, technical service, complaints handling, invoicing and other activities of the firm. As a consequence, the rest of the organization has been alienated from marketing. Therefore, it has made it difficult, often even impossible, to turn marketing into the "integrative function" that would provide other departments with the market-related input needed in order to make the organization truly market oriented and reach a stage of "co-ordinated marketing" (cf.[72, pp. 19-24]).

Furthermore, the marketing specialists organized in a marketing department may get alienated from the customers. Managing the marketing mix means relying on mass marketing. Customers become numbers for the marketing specialists, whose actions, therefore, typically are based on surface information obtained from market research reports and market share statistics. Frequently such marketers act without ever having encountered a real customer.

The marketing department concept is obsolete and has to be replaced by some other way of organizing the marketing function, so that the organization will have a chance to become market-oriented. A traditional marketing department will always, in the final analysis, stand in the way of spreading market orientation and an interest in the customer throughout the organization (cf.[15,16,71,72]).

Sometimes the term marketing has become a burden for the marketing function. Managers as well as their subordinates in other departments and functions do not want to take part in the marketing function. But according to the relationship marketing approach and contemporary models of industrial marketing and service marketing they do undoubtedly belong to this function. The use of the marketing mix management paradigm and the Four Ps has made it very difficult for the marketing function to earn credibility. Some firms have solved this problem not only by downscaling or altogether terminating their marketing departments but also by banning the use of the term marketing for the marketing function (cf.[15]). Perhaps we even need this kind of semantics.

Contemporary Theories of Marketing

In most marketing textbooks the marketing mix management paradigm and its Four Ps are still considered *the* theory of marketing. Indeed, this is the case in much of the academic research into marketing, especially in North America but also to a considerable extent in other parts of the world as well. However, since the 1960s alternative theories of marketing have been developed. As Möller[63] observes in a recent overview of research traditions in marketing, "from the functional view of marketing 'mix' management our focus has extended to the strategic role of marketing, aspects of service marketing, political dimensions of channel management, interactions in industrial networks; to mention just a few evolving trends" (p. 197). Some of these theories have been based on studies of the market relationships of firms in specific types of industries. In this section the emerging theories and models of the *interaction/network approach to industrial marketing* and the *marketing of services* will be discussed. The growing interest in focusing on *customer relationship economics* and the long-term profitability of customer retention and market economies will also be touched on.

The Interaction and Network Approach to Industrial Marketing

The *interaction/network* approach to industrial marketing was originated in Sweden at Uppsala University during the 1960s[74] and has since spread to a large number of countries. Between the parties in a network various interactions take place, where exchanges and adaptations to each other occur. A flow of goods and information as well as financial and social exchanges takes place in the network[18,75,76]. In such a network the role and forms of marketing are not very clear. All exchanges, all sorts of interactions have an impact on the position of the parties in the network. The interactions are not necessarily initiated by the seller – the marketer according to the marketing mix management paradigm – and they may continue over a long period of time, for example, for several years.

The seller, who at the same time may be the buyer in a reciprocal setting, may of course employ marketing specialists, such as sales representatives, market communication people and market analysts but in addition to them a large number of persons in functions which according to the marketing mix management paradigm are non-marketing, such as research and development, design, deliveries, customer training, invoicing and credit management, has a decisive impact on the marketing success of the "seller" in the network. Gummesson[5-7] has coined the term *part-time marketers* for such employees of a firm. He observes that in industrial markets and in service businesses, the part-time marketers typically outnumber several times the full-time marketers, i.e. the marketing specialists of the marketing and sales departments. Furthermore, he concludes that "marketing and sales departments (the full-time marketers) are not able to handle more than a limited portion of the marketing *as its staff cannot be at the right place at the right time with the right customer contacts"* [7, p. 13]. Hence, the part-time marketers do not only outnumber the full-time marketers, the specialists; often they are the only marketers around.

The Marketing of Services

In the early 1970s the *marketing of services* started to emerge as a separate area of marketing with concepts and models of its own geared to typical characteristics of services. In Scandinavia and Finland, the Nordic School of Services, more than researchers into this field elsewhere, looked at the marketing of services as something that cannot be separated from overall management[77]. In North America, research into service marketing has to a much greater extent remained within the boundaries of the marketing mix management paradigm, although it has produced some creative results[17,78]. Grönroos brought quality back into a marketing context[79-81] by introducing the *perceived service quality* concept in 1982[15]. He introduced the concept of the *interactive marketing function*[15,82] to cover the marketing impact on the customer during the consumption of usage process, where the consumer of a service typically interacts with systems, physical resources and employees of the service provider. In France, Langeard and Eiglier[83] developed the *servuction* concept to describe this system of interactions. These interactions occur between the customer and employees who normally are not considered marketing people, either by themselves or by their managers, and who do not belong to a marketing or sales department. Nevertheless, they are part-time marketers.

In many situations long-lasting relationships between service providers and their customers may develop. Grönroos[15,84] developed the *customer relationship life-cycle* model, originally called the "marketing circle", to cover the long-term nature of the establishment and evolution of the relationship between a firm and its customers. Managing this life-cycle is a relationship marketing task, although the term itself was not used at that time. Again, the marketing success of a firm is only partly determined by the "full-time marketers". In fact, the "part-time marketers" of a service provider may often have a much more important impact on the future purchasing decisions of a customer than, for example, professional sales people or advertising campaigns (e.g.[5,16]).

The Interest in Customer Relationship Economics

During the last few years there has been a growing interest in studying the economics of long-lasting customer relationships. Heskett[85] introduced the concept of *market economies*, by which he means achieving results by understanding the customers instead of by concentrating on developing scale economies. Reichheld[86] gives an example of this: "At MBNA (in the credit card business in the US), a 5 per cent increase in retention grows the company's profit by 60 per cent by the fifth year" (p. 65). More similar results from other industries are reported in a study by Reichheld and Sasser[87]. Long-term relationships where both parties over time learn how to best interact with each other lead to decreasing *relationship costs* for the customer as well as for the supplier or service provider. The relationship cost theory which is based on literature on, for example, quality costs (cf.[88]) and transaction costs (cf.[89]) has been suggested by Grönroos[90]. A mutually satisfactory relationship makes it possible for customers to avoid significant *transaction costs* involved in shifting supplier or service provider and for suppliers to avoid suffering unnecessary *quality costs.*

However, customer retention is not enough. Some long-lasting customer relationships, where the customers are obviously satisfied with what they get, are not profitable even in the long run, as Storbacka[91] demonstrates in a recent study in the retail banking industry (cf. also[92]). Therefore, segmentation based on *customer relationship profitability* analysis is a prerequisite for customer retention decisions. To conclude, there is clear evidence that from a profitability point of view intelligent relationship building and management make sense.

Relationship Building as a Cornerstone of Marketing

The interaction and network approach of industrial marketing and modern service marketing approaches, especially the one by the Nordic School, clearly views marketing as an interactive process in a social context where *relationship building* and *management* are a vital cornerstone[93-95]. They are in some respects clearly related to the systems-based approaches to marketing of the 1950s (cf. e.g.[29]). The marketing mix management paradigm with its Four Ps, on the other hand, is a much more clinical approach, which makes the seller the active part and the buyer and consumer passive. No personalized relationship with the producer and marketer of a product is supposed to exist, other than with professional sales representatives in some cases. Obviously, this latter view of marketing does not fit the reality of industrial marketing and the marketing of services very well.

The concept relationship marketing[96-98] has emerged within the fields of service marketing and industrial marketing[4-8,10-14,16,78,99,100]. The phenomenon described by this concept is strongly supported by on-going trends in modern business (cf.[95]). Grönroos defines relationship marketing[101,102] in the following way: "Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises" ([16, p. 138]). Such relationships are usually but not necessarily always long term. Establishing a relationship, for example with a customer, can be divided into two parts: to *attract* the customer and to *build* the relationship with that customer so that the economic goals of that relationship are achieved.

An integral element of the relationship marketing approach is the *promise concept* which has been strongly emphasized by Henrik Calonius[103]. According to him the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts on the marketplace to act in a given way. A firm that is preoccupied with giving promises may *attract* new customers and initially *build* relationships. However, if promises are not kept, the evolving relationship cannot be *maintained* and *enhanced*. Fulfilling promises that have been given is equally important as means of achieving customer satisfaction, retention of the customer base, and long-term profitability (cf. also [87]). Calonius also stresses the fact that promises are mutually given and fulfilled.

Another key element is *trust*. "The resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in the resources involved and, thus, in the firm itself is maintained and strengthened"[99, p. 5] (c.f. e.g.[104]). In a recent study of relationships on the market for one industrial service, Moorman *et al.*[105] define trust as "…a willingness to rely on an exchange partner in whom one has confidence" (p. 3). This definition means, first of all, that there has to be a *belief* in the other partner's trustworthiness that results from the expertise, reliability or intentionality of that partner. Second, it views trust as a behavioural *intention* or behaviour that reflects reliance on the other partner and involves uncertainty and vulnerability on the part of the trustor. If there is no vulnerability and uncertainty trust is unnecessary, because the trustor can control the other partner's actions[105] (see also[106]). One should, however, bear in mind that in many relationship marketing situations it is not clear who is the trustor and who is the trustee; more likely, for example in a simple two-partner relationship, both partners are in both positions. Also, the relationships are often more complex than mere exchange relationships.

Relationship marketing is still in its infancy as a mainstream marketing concept, although it has established itself as an underlying paradigm in modern industrial marketing and services marketing. Its importance is recognized to a growing extent, however. Philip Kotler[107] concludes in a recent article that "companies must move from a short-term *transaction-oriented* goal to a long-term *relationship-building* goal" (p. 1). In an interview in the *Marketing Science Institute Review* in 1991, Philip Kotler[108] states that "A paradigm shift, as used by Thomas Kuhn…, occurs when a field's practitioners are not satisfied with the field's explanatory variables or breadth…What I think we are witnessing today is a movement away from a focus on exchange – in the narrow sense of transaction – and toward a focus on building value-laden relationships and marketing networks...We start thinking mostly about how to hold on to our existing customers...Our thinking therefore is moving from a marketing mix focus to a relationship focus". (pp. 1,4). Frederick Webster[95], another prominent American opinion leader in marketing, comes to a similar conclusion in a recent analysis of the current developments in business and in marketing: "There has been a shift from a transactions to a relationship focus" (p. 14), and "from an academic or theoretical perspective, the relatively narrow conceptualization of marketing as a profit-maximization problem, focused on market transactions or series of transactions, seems increasingly out of touch with an emphasis on long-term customer relationships and the formation and management of strategic alliances" (p. 10). In his analysis he does not, however, include what has been published on relationship marketing issues in Europe.

So far, there seem to be only two books for textbook purposes based on this emerging paradigm (Christopher, *et al.*[13] in English and Blomqvist *et al.*[14] in Swedish). However, relationship marketing is clearly the underlying approach in several books on services marketing(e.g.[16, 17]) and industrial marketing (e.g.[18-20,109,110]). In a growing number of articles relationship issues are addressed (e.g.[4,5,9,10,12,58,95,99,102,111-114]). The importance of relationship building is advancing even into books from the world of consumer goods marketing. There the existence of mass markets without any natural direct customer contacts for the firm causes certain consequences of their own. Market communication is a central means of reaching customers, and the focus on relationship building leads to an interest in emphasizing *dialogues* and creating, for example, advertising campaigns that facilitate various types of dialogues with identified customers (see, e.g.[69]). In the future, this marketing paradigm most certainly will be a focal point of marketing research, thus positioning itself as a leading marketing paradigm not only in services marketing and industrial marketing but in most or all marketing situations. In the rest of this article, some marketing and management consequences of a relationship-building and management approach will be discussed.

The Marketing Strategy Continuum

The major problem with the marketing mix and its Four Ps has been their position as the major, and in many situations as the only, acceptable marketing paradigm. Relationship marketing must not become such a strait-jacket. However, developing enduring customer relationships and achieving exchanges in such relationships through a relationship marketing approach (cf.[115]) is not only another addendum to marketing mix management. Rather, it is a different approach as compared to achieving exchanges in isolated transactions through the use of the Four Ps of the marketing mix. As Reichheld observes, "building a highly loyal customer base cannot be done as an add-on. It must be integral to a company's basic business strategy"[86, p. 64]. Hence, it should be useful to think about possible marketing approaches or strategies along a *marketing strategy continuum*[116]. *Relationship marketing* is placed at one end of the continuum. Here the general focus is on building relationships with customers (and other parties as well, although only customers are discussed in this context). At the other end of the continuum is *transaction marketing* where the focus of marketing is on one transaction at a time (cf.[4]). Thus marketing revolves around creating single transactions or exchanges at a time and not around building long-term relationships. The continuum and some marketing and management implications are illustrated in Figure 1.

Various types of goods and services can be placed along the continuum as indicated by the bottom part of Figure 1. The exact place and corresponding marketing approach cannot, of course, be located. This is indicated by the arrows. Marketers of consumer packaged goods will probably benefit most from a transaction-type strategy. Service firms, on the other hand, would normally, but probably not always, be better off by applying a relationship-type strategy. Manufacturers of consumer packaged goods have mass markets but no immediate contacts with their ultimate customers, while service firms almost always have such contacts, sometimes on a regular basis, sometimes only at discrete points in time. Therefore, the interface between the firm and its customers is expanded far outside the marketing department of marketing and sales specialists.

In consumer durables the customer interface is broader than for consumer packaged goods, and a pure transaction-type strategy is not the only naturally available option. Industrial goods, ranging from mass-produced components to complex machines and projects, would probably fit best between consumer durables and services. However, in many industrial marketing situations the customer relationships are similar to many service situations, and here no distinctions between the industrial marketer and service marketer can be made on the continuum.

The time perspective of marketing differs depending on where on the continuum a firm is. As transaction marketing means that the firm focuses on single exchanges or transactions at a time, the time perspective is rather short. The unit of analysis is a single market transaction. Profits are expected to follow from today's exchanges, although sometimes some long-term image development occurs. In relationship marketing the time perspective is much longer. The marketer does not plan primarily for short-term results. His objective is to create results in the long run through enduring and profitable relationships with customers. In some cases single exchanges may even be unprofitable as such. Thus, relationships as such are equally the units of analysis.

Marketing Focus

Because of the lack of personal contacts with their customers and their focus on mass markets, firms pursuing a transaction-type strategy will probably benefit most from a traditional *marketing mix* approach. The Four P model will give guidance in most cases; and this model was indeed originally developed for consumer packaged goods marketing where transaction marketing is most appropriate.

For a firm applying a relationship strategy the marketing mix often becomes too restrictive. The most important customer contacts from a marketing success point of view are the ones outside the realm of the marketing mix and the marketing specialists. The marketing impact of the customer's contacts with people, technology and systems of operations and other non-marketing functions determines whether he or she (or the organizational buyer as a unit) will continue doing business with a given firm or not. All these customer contacts are more or less interactive. As has been said earlier, in services

Figure 1. *The Marketing Strategy Continuum: Some Implications*

The strategy continuum	Transaction marketing	Relationship marketing
Time perspective	Short-term focus	Long-term focus
Dominating marketing function	Marketing mix	Interactive marketing (supported by marketing mix activities)
Price elasticity	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominating quality dimension	Quality of output (technical quality dimension) is dominating	Quality of interactions (functional quality dimension) grows in importance and may become dominating
Measurement of customer satisfaction	Monitoring market share (indirect approach)	Managing the customer base (direct approach)
Customer information system	*Ad hoc* customer satisfaction surveys	Real-time customer feedback system
Interdependency between marketing, operations and personnel	Interface of no or limited strategic importance	Interface of substantial strategic importance
The role of internal marketing	Internal marketing of no or limited importance to success	Internal marketing of substantial strategic importance to success
The product continuum	Consumer packaged goods → ← Consumer durables → ← Industrial goods → ← Services	

Source:[12]

marketing literature, the marketing effects of these interactions are called the *interactive marketing function*. This marketing function can also be described as *the marketing activities outside the marketing mix*. It involves people who thus have dual responsibilities. Their main duties are in operations or some other non-marketing tasks. However, they also perform a crucial marketing task, because of their vital customer contacts. They have responsibilities as "part-time marketers". In relationship marketing interactive marketing becomes the dominating part of the marketing function. Of course, elements of the marketing mix are important here as well, but to a much lesser degree and merely supporting interactive marketing activities.

In transaction marketing there is not much more than the core product, and sometimes the image of the firm or its brands, which keeps the customer attached to the seller. When a competitor introduces a similar product, which is quite easily done in most markets today, advertising and image may help in keeping the customers, at least for some time, but price usually becomes an issue. A firm that offers a lower price or better terms is a dangerous competitor, because in transaction marketing the price sensitivity of customers is often high. A firm pursuing a relationship marketing strategy, on the other hand, has created more value for its customers than that which is provided by the core product alone. Such a firm develops over time more and tighter ties with its customers. Such ties may, for example, be technological, knowledge-related or information-related, or social in nature. If they are well handled they provide customers with added value, something that is not provided by the core product itself. Of course, price is not unimportant but is often much less an issue here. Thus, *relationship marketing makes customers less price sensitive.*

Customer Perceived Quality

The quality customers perceive will typically differ, depending on what strategy a firm uses. According to the model of total perceived quality developed within the Nordic School of Services [15,117,118]) the *customer perceived quality* is basically a function of the customer perceptions of two dimensions: the impact of the outcome or the technical solution (*what* the customer receives), and an additional impact based on the customer's perception of the various interactions with the firm (*how* the so-called "moments of truth"[119] are perceived). The former quality dimension is sometimes called the *technical quality* of the outcome or solution, whereas the latter dimension is called the *functional quality* of the interaction process[15].

A transaction marketing approach includes no or minimal customer contacts outside the product and other marketing mix variables. The benefits sought by the customers are embedded in the technical solution provided by the product. The customer will not receive much else that will provide him with added value, other than perhaps the corporate or brand image in some cases. Hence, the technical quality of the product, or what the customer gets as an outcome, is the dominating quality-creating source in transaction marketing.

In relationship marketing the situation is different. The customer interface is broader, and the firm has opportunities to provide its customers with added value of various types (technological, information, knowledge, social, etc.). Hence, the second quality dimension, how the interaction process is perceived, grows in importance. When several firms can provide a similar technical quality, managing the interaction processes becomes imperative also from a quality perception perspective. Thus, *in relationship marketing the functional quality dimension grows in importance and often becomes the dominating one*. Of course, this does not mean that the technical quality can be neglected, but it is no longer the only quality dimension to be considered as one of strategic importance.

Monitoring Customer Satisfaction

A normal way of monitoring customer satisfaction and success is to look at market share and to undertake *ad hoc* customer satisfaction surveys. A stable or rising share of the market is considered a measure of success and, thus, indirectly, of customer satisfaction. When the customer base remains stable, market share is a good measurement of satisfaction. However, very often one does not know whether it in fact is stable, or whether the firm is losing a fair share of its customers, who are replaced by new customers by means of aggressive marketing and sales. In such situations following market share statistics only may easily give a false impression of success, when in fact the number of unsatisfied customers and ex-customers is growing and the image of the firm is deteriorating.

For a consumer packaged goods marketing firm, which typically would apply a transaction marketing strategy, there are no ways of continuously measuring market success other than monitoring market share. A service firm and many industrial marketers, on the other hand, who more easily could pursue a relationship marketing strategy, have at least some kind of interactions with almost every single customer, even if they serve mass markets. Thus, customer satisfaction can be monitored directly. A firm that applies a relationship-type strategy can *monitor customer satisfaction by directly managing its customer base*[16]. *Managing the customer base* means that the firm has at least some kind of direct knowledge of how satisfied its customers are. Instead of thinking in anonymous numbers, or market share, management thinks in terms of people with personal reactions and opinions. This requires a means of gathering the various types of data about customer feedback that are constantly, every day, obtained by a large number of employees in large numbers of customer contacts. In combination with market share statistics, such an intelligence system focusing on customer satisfaction and customer needs and desires forms a valuable source of information for decision making.

Consequently, in a relationship marketing situation the firm can build up an on-line, real-time information system. This system will provide management with a continuously updated database of its customers and continuous information about the degree of satisfaction and dissatisfaction among customers. This can serve as a powerful management instrument. In a transaction marketing situation it is impossible, or at least very difficult and expensive, to build up such a database.

The Strategic Importance of Intraorganizational Collaboration

The level of interdependency between functions and departments in an organization depends on whether the firm has chosen a transaction-type strategy or a relationship-type strategy. In transaction marketing, most or all of the firm's customer contacts are related to the product itself and to traditional marketing mix activities. Marketing and sales specialists are responsible for the total marketing function; no part-time marketers are involved. Thus, the internal interface between functions has no or very limited strategic importance to the firm.

In relationship marketing the situation is different. The customer interface is much broader involving often even a large number of part-time marketers in several different functions. This is the case, for example, in most industrial marketing and services marketing situations. A successfully implemented interactive marketing performance requires that all parts of the firm that are involved in taking care of customers can collaborate and support each other in order to provide customers with a good total perceived quality and make them satisfied. Thus, for a firm pursuing a relationship marketing strategy *the internal interface between marketing, operations, personnel and other functions is of strategic importance to success.*

Internal Marketing as a Prerequisite for External Marketing

The part-time marketers have to be prepared for their marketing tasks. *Internal marketing* is needed to ensure the support of traditional non-marketing people[15,16,99, 120-122]. They have to be committed, prepared and informed, and motivated to perform as part-time marketers. As Jan Carlzon of SAS noticed, "only committed and informed people perform" [123]. This does not go for the back-office and frontline employees only. It is, of course, equally important that supervisors and middle-level and top-level managers are equally committed and prepared[124]. The *internal marketing concept* states that "the internal market of employees is best motivated for service mindedness and customer-oriented performance by an active, marketing-like approach, where a variety of activities are used internally in an active, marketinglike and coordinated way"[16, p. 223] (first introduced in English in[15]).

Internal marketing as a process has to be integrated with the total marketing function. External marketing, both the traditional parts of it and interactive marketing performance, starts from within the organization. As compared to transaction marketing situations, *a thorough and on-going internal marketing process is required to make relationship marketing successful.* If internal marketing is neglected, external marketing suffers or fails.

Service Competition

The more a firm moves to the right on the marketing strategy continuum away from a transaction-type situation, the more the market offer expands beyond the core product. Installing goods, technical service, advice about how to use a physical good or a service, just-in-time logistics, customer-adapted invoicing, technical know-how, information, social contacts and a host of other elements of bigger or smaller magnitude are added to the relationship, so that it becomes more attractive and indeed profitable for the customer (and other parties as well) to engage in an on-going relationship with a given partner on the marketplace. All such elements are different types of services. The more the firm adopts a relationship marketing strategy, the more it has to understand how to manage these service elements of its market offer. As we have concluded in earlier contexts (cf.[16]; see also[119]), managing services is to a substantial degree, although of course not totally, different from traditional management of manufactured goods: "...every firm, irrespective of whether it is a service firm by today's definition or a manufacturer of goods, has to learn how to cope with the *new competition of the service economy*"[16, p. 7]. We have coined the term *service competition* for this new competitive situation[16]. In conclusion, relationship marketing demands a deeper understanding of how to manage service competition than what is required of firms pursuing a transaction-type strategy.

The Relationship Approach as a Foundation for a Theory of Marketing

Marketing has never had a general theory, although the managerial school based on the marketing mix management paradigm is frequently treated as one. However, would it be possible to develop a general theory of marketing, or middle-range theories[125], based on the relationship marketing approach? In fact, notably in Europe, relationship-based theories of the middle range, far beyond isolated empirical findings or theoretical deductions, have already been developed in industrial marketing and services marketing. As far as a general theory is concerned, it is controversial whether such an overall theory can be created. Referring to Shelby Hunt's[126,127] criteria of a general theory, Sheth *et. al*[3] in their overview of the evolution of marketing schools argue that such a master theory indeed can exist. What is the potential of the relationship marketing perspective to serve as a foundation for such a theory?

Relationship marketing is systems-oriented, yet it includes managerial aspects. A systems approach is well suited as a basis for a general theory of marketing, because it makes it possible to include all relevant actors, environmental influence, and even the process nature of marketing (cf.[25]). The managerial facets facilitate actionable and normative elements that also are needed in such a theory. Furthermore, Sheth *et al.* express the following views about the scope of marketing and the dominant perspective in marketing: "...we need to expand our understanding of marketing to incorporate the basic tenets of marketing, that is, market behaviour, market transactions as the unit of analysis, marketing as a dynamic process of relationships between buyers and sellers, and the exogenous variables that influence market behaviour...What is needed is a perspective that reflects the *raison d'être* of marketing, a perspective that is the common cause that no stakeholder (consumer, seller, government, or social critic) can question. Indeed,that perspective should really reflect what marketing is all about"[3, p. 195]. Although we do not agree with the statement that single market transactions are the units of analysis, but rather the relationships themselves and their economic and noneconomic elements[93], we believe that this is a useful way of stating what marketing should be and what a theory of marketing should encompass.

According to the Grönroos definition of relationship marketing[10,16], marketing is a process including several parties or actors, the objectives of which have to be met. This is done by a mutual exchange and fulfilment of promises, a fact that makes *trust* an important aspect of marketing (cf.[99]). Inherent in this definition is a view of the suppliers or service providers interacting in a network with, among others, customers, suppliers, intermediaries, and environmental actors. It is possible to include the behaviour of the actors on the marketplace and in the nonmarket environment and to analyse the interactions and processes of the relationships in this system. Furthermore, managerial decisions and actions in the relationships are included. Relationship marketing is also dynamic, because of its process nature. Compare, for example, the dynamism of Howard's[128] managerial theory of marketing which also includes consumer behaviour ingredients. In conclusion, we think it is not unfair to say that the relationship building and management approach to marketing, relationship marketing, has the necessary ingredients for the development of a general theory of marketing. In such a theory the managerial approach with the notion of the marketing mix and other concepts and models become one facet.

Is There a Paradigm Shift in Marketing?

From a management point of view the Four Ps may have been helpful at one time, at least for marketers of consumer packaged goods. The use of various means of competition became more organized. However, the Four Ps were never applicable to all markets and to all types of marketing situations. The development of alternative marketing theories discussed in previous sections of this article demonstrates that even from a management perspective, the marketing mix and its Four Ps became a problem.

However, in the bulk of textbooks and in much of the on-going marketing research this paradigm is still strong today. In a standard marketing text, services marketing, industrial marketing and international marketing, for example, are touched on in a few paragraphs or they may be presented in a chapter of their own. However, they are always occurring as add-ons, never integrated into the whole text. "Books become compilations of fragmented aspects, like services marketing is being piled on top of the original structure or relationship marketing getting a small paragraph or footnote"[129, p. 257]. Why has the marketing mix management paradigm and the Four P model become such a strait-jacket for marketers? The main reason for this is probably the pedagogical virtues of the Four Ps that makes teaching marketing so easy and straightforward. The simplicity of the model seduces teachers to toolbox thinking instead of constantly reminding them of the fact that marketing is a social process with far more facets than that. As a consequence of this, researchers and marketing managers are also constrained by the simplistic nature of the Four Ps. The victims are marketing theory and customers.

On the other hand, marketing is more and more developing in a direction where the toolbox thinking of the marketing mix fits less well. In industrial marketing, services marketing, managing distribution channels and even consumer packaged goods marketing itself, a shift is clearly taking place from marketing to anonymous masses of customer to developing and managing relationships with more or less well-known or at least somehow identified customers. In marketing research new approaches have been emerging over the last decades, although they have not yet been able to overthrow the paradigmatic position of the marketing mix. As has been advocated in this article, an underlying dimension in these types of research is relationship building and management with customers and other parties.

Marketing mix management with its four Ps is reaching the end of the road as a universal marketing approach. However, even if marketing mix management is dying as the dominating marketing paradigm and the Four P model needs to be replaced, this does not mean that the Ps themselves, and other concepts of the managerial approach such as market segmentation and indeed the marketing concept[130-33], would be less valuable than before. Relationships do not function by themselves. As McInnes[134] said already three decades ago, "the existence of a market relation is the foundation of exchange not a substitute for it" (p. 56). Only in extreme situations, for example when the computer systems of a buyer and a materials provider are connected to each other in order to initiate and execute purchase decisions automatically, the relationship, at least for some time, may function by itself. In such situations one comes close to what Johan Arndt[135] called "domesticated markets", where "transactions...are usually handled by administrative processes on the basis of negotiated rules of exchange" (p. 56). Normally, advertising, distribution and product branding, for example, will still be needed, but along with a host of other activities and resources. However, what marketing deserves is new perspectives, which are more market-oriented and less manipulative, and where the customer indeed is the focal point as suggested by the marketing concept.

Most certainly relationship marketing will develop into such a new approach to managing marketing problems, to organizing the firm for marketing, and to other areas as well. Today it is still an exotic phenomenon on the outskirts of the marketing map. In the future this will change. In fact, this change has already started. Marketing mix as a general perspective evolved because at one time it was an effective way of describing and managing many marketing situations. Before the marketing mix there were other approaches. Now time has made this approach less helpful other than in specific situations. New paradigms have to come. After all, we live in the 1990s, and we cannot for ever continue to live with a paradigm from the 1950s and 1960s. However, bearing in mind the long-term damages of the marketing mix as the universal truth, we are going to need several approaches or paradigms (compare, however, Kuhn's[24] discussion of the possibility of simultaneously existing paradigms). Relationship marketing will be one of them.

Notes and References

1. The marketing mix management paradigm with its most central model, the Four P model, is frequently treated as if it always has existed and as if there have not been any other approaches to marketing. In a chapter named "Quo Vadis, Marketing?"[2] of an anthology we have discussed the background of the marketing mix and other theoretical approaches to marketing which existed at the time when the marketing mix was introduced. Sheth *et. al.*[3] provide an extensive overview of the evolution of marketing thought. However, as they only observe the development in North America (out of well over 500 publications in their very elaborate reference list only six are published outside North America, and five of these are written by Americans), some important contributions are missing.
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23. As Kuhn[24] puts it: "Consider...the men who called Copernicus mad because he proclaimed that the earth moved...Part of what they meant by 'earth' was fixed position. Their earth, at least, could not be moved. Correspondingly, Copernicus's innovation was not simply to move the earth. Rather, it was a whole new way of regarding the problems of physics and

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90. Grönroos, C., "Facing the Challenge of Service Competition: The Economies of Service", in Kunst, P. and Lemmink, J. (Eds), *Quality Management in Services*, Van Gorcum, Assen, Maastricht, The Netherlands, 1992, pp. 129-40.
91. Storbacka, K., *Customer Relationship Profitability*, Swedish School of Economics and Business Administration, Helsingfors, Finland, 1993.
92. Barnes, J.G. and Cumby, J.A., "The Cost of Quality in Service-oriented Companies: Making Better Customer Service Decisions through Improved Cost Information", Research Paper, ASB Conference 1993, University of New Brunswick, Canada, 1993.
93. In their overview of schools of marketing thought, Sheth *et al.*[3] observe research into services marketing, but they do not see any new lines of thought in it. However, as they have studied North American research only, they do not recognize the new approaches to services marketing inherent, for example, in the Nordic school of services. Industrial marketing research goes without much comment, mainly because the authors do not include the European interaction/network approach in their discussion. In the last chapter of their book, the authors conclude that interactions which are market transactions should be the unit of analysis in marketing (p. 193). However, they add that instead of studying single transactions only (cf.[94]) a time dimension has to be included: "Consequently, it is very likely that the domain of marketing will be defined around, not only the market, but also the concept of *repeated market transactions* or what is more popularly called 'relationship marketing'. This should strongly suggest that the focus is not on a single market transaction or on selling, but on a continued relationship between the buyer and the seller" (p. 194). According to the authors, relationship marketing is viewed as a range of repeated market transactions between the same seller and buyer where the fundamental unit of analysis is the single market transaction (pp. 200-1). This is, however, still a transaction marketing-oriented view of relationship marketing. In the relationship marketing concept which has evolved within services marketing and industrial marketing the relationships themselves, as well as elements involved in the establishment and management of relationships, are considered the focal issue and the "unit of analysis". Single transactions, or interactions, are only part of it. Furthermore, interactions may also be noneconomic in nature, and not only economic. In his analysis of the current change in marketing focus, Webster[95] concludes that "the focus shifts from products and firms as units to people, organizations, and the social processes that bind actors together in ongoing relationships" (p. 10). According to him, subjects that have been the study of psychologists, organizational behaviourists, political economists and sociologists have to be considered fundamental areas of interest to marketing.
94. Bagozzi, R., "Marketing as Exchange", *Journal of Marketing*, Vol. 39, October 1975, pp. 32-9.
95. Webster, Jr, F.E., "The Changing Role of Marketing in the Corporations", *Journal of Marketing*, Vol. 56, October 1992, pp. 1-17.
96. The term "relationship marketing" was first introduced by Berry in a services marketing context[78]. Managing relationships is, however, nothing new in business. Many entrepreneurs do business by building and managing relationships and always have, but without using the term relationship marketing. In a historical perspective, relationships were of utmost importance in ancient trade. An old proverb from the Middle East says that "as a merchant, you'd better have a friend in every town". However, in growing companies the focus was shifted away from relationships by the occurrence of scientific management. This development goes even further back to Adam Smith's *The Wealth of Nations*. Smith[97] advocated, among other things, that one should pursue the division of labour, so that the capability of a person to perform one given task in an organization would improve and the time it would take to take care of this task would decrease. The ideas of Adam Smith and later of *scientific management* (cf.[98]) were, among other things, specialization and division of labour, whereas relationship building and management require cross-functional teamwork and close collaboration within a firm. However, as Webster[95] points out, even during the times of scientific management influential industrialists such as Henry Ford and others emphasized the importance of relationship building.
97. Smith, A., *The Wealth of Nations. An Inquiry into the Nature and Cause of the Wealth of Nations*, Methuen, London, 1950 (the original published 1776).
98. Taylor, F.W., *Scientific Management*, Harper & Row, London, 1947, (a volume of two papers originally published in 1903 and 1911 and a written testimony for a Special House Committee in the US in 1912).
99. Grönroos, C., "Relationship Approach to the Marketing Function in Service Contexts: The Marketing and Organizational Behavior Interface", *Journal of Business Research*, Vol. 20 No. 1, 1990, pp. 3-12.
100. Gummesson, E., "Marketing Revisited: The Crucial Role of the Part-time Marketers", *European Journal of Marketing*, Vol. 25 No. 2, 1991, pp. 60-7.
101. This definition is slightly developed from earlier ones in Grönroos[10,11]. Normally, formal definitions cannot be found in the literature. Instead authors offer descriptions, some of which are more informative than others. In his discussion of marketing for multi-service organizations, Berry[78] views relationship marketing as a strategy to attract, maintain and enhance customer

relationships. Rapp and Collins[69] say that the goals of relationship marketing are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. Christopher *et al.*[13] consider relationship marketing an approach that aligns marketing, customer service and quality, with an emphasis on a focus on customer retention, an orientation on product benefit, a long time-scale, a high customer service orientation, a high customer commitment and a high customer contact as well as on the notion that quality is the concern of all. Blomqvist *et al.*[14] offer the following key characteristics of relationship marketing: every customer is considered an individual person or unit, activities of the firm are predominantly directed towards existing customers, it is based on interactions and dialogues, and the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships. Gummesson[8] concludes that relationship marketing is a strategy where the management of interactions, relationships and networks are fundamental issues. There are also some more practice-oriented descriptions of relationship marketing: for example, the one by Copulinsky and Wolf[102] that states that relationship marketing is a process where the main activities are to create a database including existing and potential customers, to approach these customers using differentiated and customer-specific information about them, and to evaluate the life-term value of very single customer relationship and the costs of creating and maintaining them. In most of these descriptions, only the relationship between a supplier and its customers are included. This seems to be too narrow a view of relationship marketing.

102. Copulinsky, J.R. and Wolf, M.J., "Relationship Marketing: Positioning for the Future", *Journal of Business Strategy*, Vol. 11, July-August 1990, pp. 16-20.
103. Calonius, H., "A Buying Process Model", in Blois, K., and Parkinson, S. (Eds), *Innovative Marketing – A European Perspective*, proceedings from the XVIIth Annual Conference of the European Marketing Academy, University of Bradford, 1988, pp. 86-103.
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108. "Philip Kotler Explores the New Marketing Paradigm", *Marketing Science Institute Review*, Spring 1991, pp. 1, 4-5.
109. Jackson, B.B., *Winning and Keeping Industrial Customers. The Dynamics of Customer Relationships*, Lexington Books, Lexington, MA, 1985.
110. Vavara, T.G., *Aftermarketing:. How to Keep Customers for Life through relationship Marketing*, Business One Irwin, Homewood, IL, 1992.
111. Sonnenberg, F.K., "Relationship Management Is More Than Wining and Dining", *Journal of Business Strategy*, Vol. 9, May-June 1988, pp. 60-3.
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113. Congram. C.A., "Building Relationships That Last", in Congram, C.A., and Friedman, M.L. (Eds), *Handbook of Marketing for the Service Industries*, AMACOM, New York, NY, 1991, pp. 263-79.
114. Ferguson, J.M. and Brown, S.W., "Relationship Marketing and Association Management", *Journal of Professional Services Marketing*, Vol. 2 No. 2, 1991, pp. 137-47.
115. Houston, F.S. and Gassenheimer, J.B., "Marketing and Exchange", *Journal of Marketing*, Vol. 51, October 1987, pp. 3-18.
116. We first introduced the concept of the *marketing strategy continuum* with relationship marketing at one end and transaction marketing at the other in 1991 in an article "The Marketing Strategy Continuum: A Marketing Concept for the 1990s" in *Management Decision*[12]. A previous version mainly focusing on services was published in 1990 in *Service Management and Marketing*[16].
117. Lehtinen, J., *Quality-oriented Services Marketing*, University of Tampere, Tampere, Finland, 1986.
118. Gummesson, E. *Quality Management in Service Organizations*, ISQA (International Service Quality Association), New York, NY, 1993.
119. Normann, R., *Service Management*, Wiley, New York, NY, 1984.
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123. Carlzon, J., *Moments of Truth*, Harper & Row, New York, NY, 1987.
124. It is interesting to notice that Taylor in his testimony about scientific management in 1912 explicitly states that "...in its essence, scientific management involves a complete *mental revolution* on the part of the working men engaged in any particular establishment or

industry...And it involves the equally complete mental revolution on the part of those on the management's side...And without this complete mental revolution on both sides scientific management does not exist"[98, testimony, p. 27] (emphasis added). Relationship marketing can be successfully implemented only if such a "mental revolution" or cultural change through "attitude management"[16] takes place in the organization.

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127. Hunt, S.D., "The Nature and Scope of Marketing", *Journal of Marketing*, Vol. 40, July 1976, pp. 17-28.
128. Howard, J.A., "Marketing Theory of the Firm", *Journal of Marketing*, Vol. 47, Fall 1983, pp. 90-100.
129. Gummesson, E. "Marketing According to Textbooks: Six Objections", in Brownlie, D., Saren, M., Wensley, R. and Whittington, R. (Eds), *Rethinking Marketing: New Perspectives on the Discipline and Profession*, Warwick Business School, Coventry, 1993, pp. 248-58.
130. The marketing concept is attributed to McKitterick[131] and to Keith[132] and the Pillsbury Company. However, this customer-oriented approach to doing business is, of course, nothing new. For example, in a book on advertising and market communication published in 1916 in Norway, the author, Romilla (Robert Milars), gives the following piece of advice: "Førsøk at se paa tingen fra kundens side av disken (Try to look at the situation from the customer's side of the counter)"[133, p. 35]. And according to an old Chinese saying, "customers are the precious things; goods are only grass". The industrial revolution and scientific management, among other reasons, made managers and researchers lose sight of it.
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132. Keith, R.J., "The Marketing Revolution", *Journal of Marketing*. Vol. 24, January 1960, pp. 35-8.
133. Romilla, *Reklame-laere* (Advertising), Aktietrykkeriet, Trondhjem, 1916.
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Application Questions

(1) Compare the author's point that "the marketing department is obsolete" with parallel organization structural initiatives in the management of quality. How would marketing organize itself without a department?

(2) How does your organization enact its relationships with its customers? Think particularly about "moments of truth".

(3) Is the marketing mix paradigm dead – or dying? What might such a paradigm shift mean in organizations of the future?

Abstracts and Keywords

From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing

Christian Grönroos

Marketing Mix, Marketing Theory, Relationship Marketing

Discusses the nature and sometimes negative consequences of the dominating marketing paradigm of today, marketing mix management, and furthermore discusses how modern research into, for example, industrial marketing and services marketing as well as customer relationship economics shows that another approach to marketing is required. This development is supported by evolving trends in business, such as strategic partnerships, alliances and networks. Suggests relationship marketing, based on relationship building and management, as one emerging new marketing paradigm of the future. Concludes that the simplicity of the marketing mix paradigm, with its Four P model, has become a strait-jacket, fostering toolbox thinking rather than an awareness that marketing is a multi-faceted social process, and notes that marketing theory and customers are the victims of today's mainstream marketing thinking. By using the notion of a marketing strategy continuum, discusses a number of consequences of a relationship-type marketing strategy for the focus of marketing, pricing, quality management, internal marketing and intraorganizational development. Briefly comments on the possibility of developing a general marketing theory based on the relationship building and management approach.

The Mind's Eye and the Practice of Management: Envisioning the Ambiguous

Robert H. Bennett, III, Walter J. Wheatley, E. Nick Maddox and William P. Anthony

Decision Making, Strategic Management, Vision

Theory and practice indicate that managers experience considerable difficulty and exhibit limited rationality as they attempt to grasp, process, and understand the often ambiguous requirements of managerial tasks. Argues the efficacy of mental imagery and visualization as a means to overcome such human limitation. Notes the theoretical and conceptual underpinnings of mental imagery and applies them to the "episodic performance situations" inherent in the reality of management practice. Imagery techniques allow managers to create and manipulate actively a much more information-rich and thorough projection of the once ambiguous, abstract management scenario. Discusses some example uses of mental imagery in the steps of the strategic planning model, in decision-making applications, and in organizational communication. Provides some guidelines for developing effective mental imagery scripts and outlines important considerations for their use in organizations.

Corporate Reporting

Mohamed Zairi and Steve Letza

Company Reports, Europe, Mission Statements, TQM

A key to economic success is that a company should be clear about its purpose. Existing methods of reporting company performance have proved inadequate. The missing link could be incorporating mission statements to share the mission/purpose of the organization with the end-users. Describes the essential features of mission statements using 13 variables. Reports on research into about 200 UK-based European companies. Analyses their scores in terms of the 13 variables, and finds they leave much to be desired. Concludes that, for company reporting to be improved, a TQM approach needs to be adopted.

Streamline Your Plan Process

Reuben J. Sokol

Corporate Planning, Long Range Planning, Strategic Planning, Time Management

To meet complex global challenges, executives face key challenges to set effective strategic visions. Too often the long-term plan itself becomes a lengthy process, thus delaying reaching tangible results. Executives can get bogged down co-ordinating a plan for many diverse parts and functions of their company. For example, linking a focused mission statement to broad environmental or market perspectives is a major challenge to putting together a coherent plan; or the effects of natural reiterations in the process are overlooked. Recommends several key ways to improve and quicken companies' strategic efforts, including: first highlight what is truly new within the business environment; involve a variety of functional experts, while targeting their efforts; use less than six core analyses; collapse the time to complete a plan, i.e. within two months. Benefits include saving time, communicating a clearer strategic vision, avoiding hidden bias, focusing better on priorities, and getting results sooner.

Defining Competitiveness: A Holistic Approach

Rainer Feurer and Kazem Chaharbaghi

Competitiveness, Strategy, Strategic Management

Although the notion of competitiveness lies at the heart of business strategy development, its definition is often vague and does not lend itself to a measurement process. The competitiveness of an organization depends on a number of factors which are interrelated and cannot be looked at in isolation. The main factors include: customer values, shareholder values and ability to act and react within a competitive environment. Proposes a holistic approach for defining competitiveness together with a mapping process which encompasses different dimensions of competitiveness. The mapping process enables the measurement of competitiveness while highlighting the strengths, weaknesses, opportunities and threats within a competitive environment which form the basis of business strategy formulation.

The Magic of Alignment

John O. Burdett

Alignment, Corporate Structure

The past decade has seen a plethora of approaches on how to respond to the changing times. All are meaningful, but useless unless alignment is an underlying theme. What is the essence of alignment? What is it that organizations do to create alignment? Examines the history of organizations with a major success story, such as Wal-Mart and Semco, and identifies the crucial factors. Describes the growth of a Lawson Mardon Group operation which set out to follow these principles.