CHAPTER–II
REVIEW OF LITERATURE

EVOLUTION OF MARKETING THOUGHT

The birth of trade has disappeared in the midst of time, but the archaeological evidence for trading goes back more than 10,000 years (Dixon et al., 1968). Marketing practices can be traced back as far as 7000 B.C (Carratu 1987). So, marketing has existed since the dawn of commerce, even though it was not called so and the practice of marketing was quite ancient. Only the formal study of the subject is of recent origin.

Marketing as a subject is taught at university level for nearly hundred years. At the University of Illinois marketing course was offered from 1902, at the New York University from 1902, at the Ohio State University from 1905, at the University of Pittsburgh from 1909 and at the Harvard Business School from 1908 (Hagerty 1936).

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Marketing evolved as a separate discipline from economics around the beginning of the 20th century (Sheth, J.N. and Parvatiyar. 2000 and Bartels, 1988). From a review of several early publications of American Economic Association we can understand that articles dealing with marketing practices were published as early as 1894 (Bussiere 2000).

As per the research conducted at American Marketing Association, the first USA marketing textbook published with the word 'marketing' in its title was in 1914: Butler, Ralph S., H. DeBower and J. G. Jones, *Marketing Methods and Salesmanship*, NY: Alexander Hamilton Institute. Half a century later with the publication of Wroe Alderson’s book *Marketing Behavior and Executive Action* in 1957, the modern era of marketing began.

The evolution of marketing can be conceptualized into distinct time periods. These comprise of the Period of Discovery 1900-1910, the Period of Conceptualization 1910-1920, the Period of Integration 1920-1930, the Period of Development 1930-1940, the Period of Reappraisal 1940-1950, the Period of

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Another way to analyse the evolution of marketing paradigm is through the analysis of the change in emphasis of marketing from the 1950s through the 1990s. The major focal area during the 1950s was consumer marketing, during the 1960s the focus was on industrial marketing, during the 1970s the focus was on non-profit and societal marketing, during the 1980s the focus was on services marketing and during the 1990s the focus was on relationship marketing. (Payne 2002)\textsuperscript{7}.

**Services Marketing as a Function**

Services Marketing is taught at business schools. Seminars and conferences are organised to discuss the prospects and problems associated with marketing of services. Further, associations of service marketers are inaugurated, dozens of books are published on the subject, and a good number of journals in services marketing area are published. More importantly service tax is now levied by the Central Government for selling services


\textsuperscript{7} Payne, A (2002), *The Essence of Services Marketing*, Prentice Hall of India, New Delhi.
The major development in marketing literature during the 1970s is the emergence of services marketing as a domain in marketing (Grönroos, C. 1994b). The major reason for the evolution and growth of service marketing as an offshoot of marketing is due to the vibrant service sector, a significant part of the country’s economy forming a spectrum of services like legal services, restaurants, saloons, insurance, dry cleaning, banking, consulting, health care, information, telecommunication, cinema, mail service, long distance phone call, electricity, passenger and goods transportation, repairs, etc.

Services defined as “A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take (sic) place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.” (Grönroos, 1990, p.27)

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The dimensions of service

Customer service expectations can be categorized into five overall dimensions: reliability, tangibles, responsiveness, assurance, and empathy (Parasuraman, et al, 1991\textsuperscript{10}).

<table>
<thead>
<tr>
<th>Service Dimension</th>
<th>Definition</th>
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<tr>
<td>Reliability</td>
<td>The ability to perform the promised service dependably and accurately</td>
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<td>Tangibles</td>
<td>The appearance of physical facilities, equipment, personnel, and communication material</td>
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<tr>
<td>Responsiveness</td>
<td>The willingness to help customers and provide prompt service</td>
</tr>
<tr>
<td>Assurance</td>
<td>The knowledge and courtesy of employees and their ability to convey trust and confidence</td>
</tr>
<tr>
<td>Empathy</td>
<td>The caring, individualized attention given to the customer</td>
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Blois (1974)\textsuperscript{11} wrote the first services marketing article that appeared in the European Journal of Marketing. But many scholars were studying services


marketing during the 1950s and 1960s (Brown et al 1994). Wilson’s (1972) book *The Marketing of Professional Services* and Rathmell’s (1974) book *Marketing in Service Sector* were some of the initial efforts to explore the unique marketing problems faced by service firms. Pioneering work was done in Scandinavia and northern Europe (Grönroos, 1991a).

But services are not something very new. Hiring mercenaries, entertainment, financial services were offered to the market even before the era of Christ. Service is as old as agricultural sector. Now, at the dawn of the new millennium service is the most vibrant sector in most developed and developing economies.

In advanced economies like the US and Canada, the share of services to the Gross Domestic Product is as high as 72 per cent and the rest is contributed by manufacturing and agriculture. In developing countries like India it is nearly the same phenomenon, where share of services in the total economy is nearly 50 per

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cent. Furthermore, many service activities like the services of domestic help maids, laundry, platform restaurants, haircut, etc. are not accounted. If these activities are also accounted the service sector will grab a still higher share of GDP.

It is a mixed service sector in many countries where, various Governmental and Non-Governmental Organisations are also engaged in services business, running organisations like hospitals, colleges, museums, etc. operating on non profit motive. Private Service sector is also operating in some businesses side by side with profit motive.

There also exists a “hidden” sector of services. Many companies that are classified as manufacturing offer “internal services” such as financial, legal and administrative activities to both its own organization and other external customers, e.g. Volvo Business Services within the Volvo Group (Egan, 2001).

Differences between Product Marketing and Services Marketing

The following are the four characteristics unique to services (Payne 2002)

1. Intangibility: services are to a large extent abstract and intangible
2. Heterogeneity: services are non-standard and highly variable

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3. Inseparability: services are typically produced and consumed at the same time, with customer participation in the process

4. Perishability: it is not possible to store service in inventory

Owing to the changes in the society and the economy there is a new paradox in marketing practice. Manufacturers are trying to promote the intangible elements of their offering while on the other hand service companies often look to create tangible features such as physical evidence to establish their credibility. The classical examples are a management consultancy firm that uses an impressive facade or a designer branding of clothes indicating lifestyles. Both services and goods have tangible and intangible elements. (Grove, Carlson & Dorch, 2002)\textsuperscript{17}.

To conclude, service management is not a well-delineated concept and it is a perspective and not a discipline. It is, however, used more and more by academics as well as by practitioners (Grönroos 1994a)\textsuperscript{18}.


Marketing is relationship – from Four Ps based transactional marketing to relationship marketing

Marketing, as most textbooks present it today was introduced around 1960 (Grönroos 1991b). The idea of the marketing mix - the Four Ps of marketing—product, price, place and promotion has been popular ever since McCarthy used it in 1960. Marketing education throughout the world for the past fifty six years from 1960 is based on the Four Ps framework. But this framework is based on little empirical research.

The validity of the Four Ps concept was taken for granted and eventually it became an indisputable paradigm in the marketing literature (Kent, R.A. 1986). Marketing mix management with its Four Ps is reaching the end of the road as a universal marketing approach (Grönroos 1994b). It may be too costly to follow “blindly” the marketing-oriented concept, i.e. to satisfy customer needs as well as


possible (Zinkhan and Pereira, 1994). So, the need for an alternative paradigm was felt since the 1980s.

A comparison of transaction marketing and relationship marketing.

<table>
<thead>
<tr>
<th>Transactional Marketing</th>
<th>Relationship Marketing</th>
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<tr>
<td>Orientation to single sales</td>
<td>Orientation to customer retention</td>
</tr>
<tr>
<td>Discontinuous customer contact</td>
<td>Continuous customer contact</td>
</tr>
<tr>
<td>Focus on product features</td>
<td>Focus on customer value</td>
</tr>
<tr>
<td>Short-time scale</td>
<td>Long-time scale</td>
</tr>
<tr>
<td>Little emphasis on customer service</td>
<td>High emphasis on customer service</td>
</tr>
<tr>
<td>Limited commitment to meeting customer expectations</td>
<td>High commitment to meeting customer expectations</td>
</tr>
<tr>
<td>Quality as the concern of production staff</td>
<td>Quality as the concern of all staff</td>
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After services marketing, relationship marketing is the new paradigm in marketing literature (Kotler, 1991, Grönroos, C.1994b, Gummesson, 1997.


and Brodie et al., 1997\textsuperscript{26}) that challenges the existing and entrenched philosophies in marketing literature. Relationship marketing has created a lot of interest among academics and practitioners.

Relationship marketing is the newest school of marketing thought. The ongoing interest in relationship marketing through the nineties and in the new millennium is evident from the number of conferences organised on the topic, number of business schools offering course on relationship marketing and number of articles published in journals. In fact, no other marketing topic was written about so much during the 1990s (Mowen and Minor, 1998)\textsuperscript{27}.

Relationship marketing is a strategy used to learn more about the customer’s mood and behaviours in order to develop stronger relationship with them. The new paradigm asserts that intelligent marketers should view existing customers as a tremendous growth opportunity (Cindy Claycomb and Charles L. Martin 2002)\textsuperscript{28}. It can be used to build a loyal customer base and as a result the brands marketed by the company will grow in strength by leaps and bounds


For academicians it is a paradigm shift in marketing philosophy urging the importance of long term relationship and retaining existing customers over getting new customers; since a bird in hand is better than two in the bush. For practitioners relationship marketing is a competitive advantage (Day, 2000)\(^{29}\), a tool to reduce the customer churn (Schneider and Bowen, 1999)\(^{30}\), a tool to overcome service failures (Crosby and Stephens, 1987)\(^{31}\), an opportunity for marketing additional products and services to a more receptive customer base (Priluck, 2003)\(^{32}\).

In 1983, Leonard L. Berry, a distinguished professor of Marketing at Texas A&M University, coined the term ‘Relationship Marketing’ when he presented a paper entitled “Relationship Marketing” at the American Marketing Association’s Services Marketing Conference. The paper was published in the conference proceedings and for the first time the phrase ‘Relationship Marketing’ appeared in


Marketing literature. Later Jackson (1985a)\textsuperscript{33} used the concept in Business to Business context.

Another opinion is that relationship marketing is a gradual extension of “the Nordic School” approach to services marketing and management (Gummesson, 1997)\textsuperscript{34}. There are ample examples to prove that long-term relationship was emphasized by the Nordic School researchers (Grönroos, 2000)\textsuperscript{35} without using the term relationship marketing as early as 1977, before Berry and Bund Jackson used the term relationship marketing.

Relationship marketing was practiced during the pre industrial era and later marketing became transaction based during the industrial era due to mass production as they had to depend on middlemen (Seth and Parvatiyar 1993)\textsuperscript{36}.


The idea of developing and fostering relationship with customers is not something revolutionarily new, but many firms are realizing the significance of relationship marketing for the first time. This phenomenon is as old as the history of trade and commerce (Grönroos, C.2004)\textsuperscript{37}. So, we can say that it is a new-old concept (Berry 1995)\textsuperscript{38}. While relationship has been rediscovered in the western world, they have remained a fundamental part of exchanges in many eastern cultures (Ohmae, 1989\textsuperscript{39} and Rich 2000\textsuperscript{40}). Now many firms discover relationship marketing for the first time. This is because many larger firms lost sight of the individual customer, believing that it was more efficient to market to them on mass scale (Grossman 1998)\textsuperscript{41}.

The kirana wallas, the small mom and pop retailers in India who sell groceries and other provisions to nearby customers have been practicing

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relationship marketing over the years. The kiranawalla knows all his customers by name, their socio-economic profile, products they buy and their brand preferences. The kiranawalla has a perfect database of his customers, which will be termed as crude by modern information technologist. But the system works better than a billion dollar datamining software. As a result he is able to provide personalized tailor made services to all his customers on a one to one basis. The ultimate aim of relationship marketing is to have a one to one relationship with all customers.

The kiranawalla gets tremendous mileage from these relationships, as the customers are tied down with an emotional bond, which they do not dream of breaking. The kiranawalla develops a strong bond, which the buyers cannot break; so the customers are retained for their life time. Added to this he can cross sell new products since they are receptive to him thus giving more value to the customer.

A similar story from ancient China. In an ancient Chinese village Ming Hua was one of the six rice merchants. One day Ming Hua realized that he should know more about the desires and wants of the villagers. He understood that he had to provide more value and not the same provided by the other merchants. So he decided to keep track of the eating habits of his customers. Ming Hua started to walk around the village and knock on the doors of his customers’ houses asking how many members were there in the household. He offered to replenish the stock
at intervals, and started to maintain records of his customers. So, he managed to create more and deeper relationship with the villagers. Ming Hua thus used relationship as a competitive advantage (Grönroos 1996). Even today the Chinese prefer to transact with people whom they trust and empathize. This special kind of relationship is called guanxi, which can be translated as relationship or networking and it is an important component of Chinese business culture. (Abramson and Ai 1994; Buttery and Wong, 1999).

These types of stories are not isolated phenomenon. They are ubiquitous in India, China and the Middle East for centuries, as trade from these countries flourished during the first millennium.

**Definitions**

The relationship marketing paradigm has been there for around 22 years. Yet there does not appear to be an emerging consensus as to what it is even though


most of the definitions have common denominators (Grönroos, 199645). The following definitions clearly indicate that most of the definitions are based on the first definition given by Berry.

“Attracting, maintaining and—in multi-service organisations—enhancing customer relationships.” (Berry, 1983, p.25)

“Relationship marketing is marketing to win, build and maintain strong lasting relationships with industrial customers” (Jackson, Barbara Bund, 1985b46).

“the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by mutual giving and fulfilment of promises” (Grönroos, 199747).

“Marketing seen as relationship, networks and interactions” (Gummesson, 199948, p.1).

“The ongoing process of engaging in cooperative and collaborative activities and programmes with immediate and end-user customer to create or


enhance mutual economic value at reduced cost” (Sheth and Parvatiyar, 2000\textsuperscript{49}, p.9).

“A customer- cantered approach whereby a firm seeks long-term business relationships with prospective and existing customers” (Evans and Laskin, 1994\textsuperscript{50}, p.440).

From a thorough analysis of definitions by leading marketing academicians we can notice six dimensions of relationship marketing as listed below: (Sin, L. Y. M \textit{et al} 2002\textsuperscript{51})

1. Trust
2. Bonding
3. Communication
4. Shared Value
5. Empathy
6. Reciprocity


The Seven Step Scale of Evolving Relationship with Customers

The following table illustrates the seven stages and how strong relationship can be built. (Batterly, R. 2003\textsuperscript{52}).

<table>
<thead>
<tr>
<th>Step</th>
<th>Description / Status</th>
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<tbody>
<tr>
<td>Suspect</td>
<td>Potential customers being informed of company through broadcast marketing activities. No qualification of profile in place</td>
</tr>
<tr>
<td>Prospect</td>
<td>Prospects have identified themselves as matching broad profile criteria and enquiring about product or service. Relationship opening</td>
</tr>
<tr>
<td>Buyer</td>
<td>Prospects have become buyer through first purchase and initial individual profile data obtained to build personal profile. Relationship exists</td>
</tr>
<tr>
<td>Customer</td>
<td>More than one purchase has occurred and individual profile being enhanced through demographic and transaction data. Relationship strengthening.</td>
</tr>
<tr>
<td>Frequent customer</td>
<td>Transaction pattern now firmly established and nature of relationship is now mutual, increasing in value. Customer may even begin to consider purchasing additional products or services the company may from time to time offer them. These offers will certainly be viewed more favourably than offers from competition</td>
</tr>
</tbody>
</table>

Loyal customer | An emotional connection has been established, which will be hard for the competition to break with tactical offers. Relationship important to both parties and offers from competitors are likely to be rejected by the customer. They will go out of the way to purchase from the company and price becomes less relevant in the competitive mix.

Advocate | Customer now not only has established relationship for self, but is recommending and influencing other potential customers to try similar relationship with the company. If damaged, the relationship will be almost impossible to repair.

Benefits of Relationship Marketing

Relationship Marketing Inc. a web site providing relationship marketing services list the following as the benefits of relationship marketing initiatives to retain existing customers, acquiring a customer can cost 5-10 times more than retaining one, a 2 per cent rise in customer retention equates to a 10 per cent reduction in operating costs, a 5 per cent boost in customer retention translates into an 84 per cent increase in lifetime profit. So, relationship marketing has the potential to improve marketing productivity (Sheth and Parvatiyar, 199553).

A study confirms that service firm loses about 20 per cent of its customers annually, and companies which can decrease their customer defection rates by 5

percent can increase their profits from 25 to 85 percent (Reichheld and Sasser 1990).

There are numerous benefits to both the firm and the consumer as a result of relationship marketing practices like higher perceived value for both, increased competitiveness of the firm, reduced transaction cost, improved financial performance and increased marketing productivity (Janet E. Keith, et al 2004).

**Relationship Marketing and Services Marketing**

Relationship marketing practices are most applicable when the following conditions exist: (Berry 1983, p.25).

- There is an ongoing desire for the service on the part of the service customer.
- The customer controls selection of the service supplier.
- There are alternative service suppliers, with customers switching from one to another being common.

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So, relationship marketing practices are significant in the service sector, for an assortment of rationale as listed above and primarily, because services are intangible and hence customers often have little to evaluate prior to making a purchase commitment. The service provider in such case is the most tangible aspect of the service and, in the perception of customers, may be equated with the service itself.

So, it is evident from the above discussion that relationship marketing is more relevant for services marketing (Cindy Claycomb and Charles L. Martin 2002\textsuperscript{57}).

**The Dark Side of Relationship Marketing**

Long-term relationship and preferential treatment to most profitable customers have benefits, but there are many inherent drawbacks. As Fournier, Dobscha and Glen Mick (1998)\textsuperscript{58} points out that a company’s preoccupation with its so-called best customers should not hurt the feelings of other loyal and revenue generating customers. So, loyal customers might get punished, when the company does not declare him/her as valued customer and before his eyes other customers are given privileged treatment.

\textsuperscript{57} Cindy Claycomb \textit{et al} Op.Cit.

They also highlight the fact that some consumers always view companies as enemies, not allies. So, when the company advances with a relationship marketing programme; the customers respond by arming themselves to fight back. High levels of interaction, familiarity, and experience can foster a belief that they can no longer objectively evaluate one another (Moorman, Zaltman, and Despande (1992)\textsuperscript{59}).

Partners in long term relationship may develop a “What have you done for me latterly?” attitude, which paradoxically makes them more sensitive to short-term costs and benefits (Gruen, T.W., J.O. Summers and F. Acito 2000)\textsuperscript{60}. Also a partner may come to suspect that his/her trust is been taken advantage of, thereby souring their relationship (Grayson and Ambler 1999)\textsuperscript{61}. So, any relationship marketing programme should be foolproof, so that the companies do not fall in these traps.

\begin{itemize}
\item \textsuperscript{59} Moorman, C., Zaltman, G. and Deshpande (1992) “Relationship between providers and users of Market Research: The dynamics of Trust Within and Between organizations”, \textit{Journal of Marketing Research}, 29 (August), pp.314-328.
\item \textsuperscript{60} Gruen, T.W., J.O. Summers and F. Acito (2000) “Relationship Marketing Activities, Commitment, and Membership Behaviours in Professional Associations”, \textit{Journal of Marketing}, Vol.64 (July), pp.34-49.
\end{itemize}
Relationship Management and Customer Relationship Management (CRM)

The key objective of relationship marketing is to establish a one to one relationship with all the customers. This might have sounded like a daydream few years ago; but thanks to the technological breakthrough and technological solutions available this is very much a reality today.

CRM is considered as a tool specially designed for one-to-one customer communication (Peppers and Rogers, 1999)\(^\text{62}\). CRM applications link front office and back office operations with the company’s customer touch points (Fickel, 1999). The following are the touch points the company can use to reach out to their customers: the Internet, e-mail sales, direct mail, telemarketing operations, call centres, advertising, fax, pagers, stores and kiosks (Eckerson and Watson, 2000).

Software vendors such as Oracle, SAP, People Soft, Clarify, SAS, and Siebel are now offering ready to use CRM applications to organizations. (Injazz J. Chen and Karen Popovich 2003)\(^\text{63}\). Many CRM software vendors lure organizations with promises of omnipotent applications. Yet, till date there is no


software available in market that gives cent percent solutions (Hackney 2000). CRM technology is expensive, ranging from $500,000 to $800,000 or more for a system-wide application and many CRM initiatives have not yet been successful, over and over again due to lack of acceptance inside the company (Rigby et al., 2002).

We should understand and appreciate the difference between relationship marketing and customer relationship management.

CRM has its roots in relationship marketing. Relationship marketing is a philosophy and orientation towards customer retention and CRM is regarded as the practical implementation of relationship marketing (Christopher et al., 1991).

In other words CRM is technological infrastructure, both hardware and software, to manage large quantity of customer data. But relationship marketing is a way of doing business. So, it is not a surprising fact that many CRM projects fail to deliver the return on investment, because of the inability to understand the business needs. So, CRM is just an enabler of relationship marketing. We should


not assume that more technology leads to a more effective CRM Program (Batterly 2003)\textsuperscript{67}. 

**Future of Relationship Marketing**

Relationship marketing has been one of the important developments in modern marketing and it has generated enormous research interest (Christopher, M., Payne, A. and Ballantyne, D 2002)\textsuperscript{68}. This emphasis on relationships, as against transaction-based exchanges, is likely to go on to give new perspective to the marketing domain and it should lead to a new general theory of marketing (Seth et al., 1988). CRM and relationship marketing will never develop further than techniques if they are treated as yet another add-on to traditional marketing management (Gummesson, 2002)\textsuperscript{69}.

One opinion is that relationship marketing has suffered from a general failure to position the concept (Palmer 1996)\textsuperscript{70}. Right positioning strategy for the relationship marketing paradigm should be developed to get the right footing for the paradigm in the marketing literature. A bibliometric study has found out that

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there has not yet been a consistent theoretical development in the field of relationship marketing (Cooper et al. 1997).\footnote{Cooper, M.C. Gardner, J.T. and Pullins, E.B. (1997), “A benchmark bibliometric approach to identifying the state of theory development in relationship marketing”, competitive paper for New and Evolving paradigms: Emerging Future of Marketing, June, University College Dublin and American Marketing Association, Dublin}

Another deficiency is that currently literature on relationship marketing is theoryless, a stack of fragmented philosophies, observations and claims which do not converge in the direction of an emerging relationship marketing theory. A strong theoretical foundation need to be developed with empirical support. (Gummesson, 1997).\footnote{Gummesson, E. (1997), “Relationship Marketing as a Paradigm Shift: Some Conclusions from the 30R Approach”, \textit{Management Decisions}, 35/4, pp.267-272.}

Relationship marketing history has been described by rhetoric rather than publication effort and after 15 years, the new relationship marketing paradigm is still without empirical support (Collins 1999)\footnote{Collins, B.E. (1999), “Pairing Relationship Value and Marketing”, Unpublished Working Paper, Auckland University, pp.3-4.} and also the empirical evidence is inconclusive despite the beliefs in lifetime value of the customer and share of customer wallet concept (Sheth 2002).\footnote{Sheth, J.N. (2002) “Evolving Relationship Marketing into a Discipline”, \textit{Journal of Relationship Marketing}, Vol.1, No.1, pp 3-16.}
In the 1960s consumer behaviour and international marketing were part of marketing domain and consumer behaviour became a discipline mainly due to empirical research conducted by scholars trained in economics, behavioural science and quantitative techniques and development of theoretical frameworks. But international marketing was stumbling on a single block; how to adapt the marketing mix across cultures. (Sheth 2000)\textsuperscript{75}.

Similar developments happened during the 1980s; services marketing and business to business marketing were emerging paradigms and services marketing became a discipline and business to business marketing remains a domain due to the very same reasons (Sheth 2000)\textsuperscript{76}.

So, as an intervention strategy to craft relationship marketing as a discipline, it would be very desirable for relationship marketing scholars to organize their own forum and their own scholarly journal (Sheth and Parvatiyar 2002)\textsuperscript{77}. Relationship marketing in consumer markets will grow in future as consumers are always interested in having relationships with the marketers and


\textsuperscript{76} Ibid.

\textsuperscript{77} Sheth and Parvatiyar, \textit{Op.cit.}, 2002
technological advancement will make it possible and affordable for marketers to initiate relationship marketing practices in future (Sheth and Parvatiyar 1995)\textsuperscript{78}.

The future of relationship marketing depends on empirical research and development of theoretical framework. From the perspective of practitioners, relationship marketing is often considered as a panacea to profitability. But as it is evident from the above discussion, relationship marketing need not be ubiquitous and more applicable for service firms; and the success of relationship marketing initiative depends on commitment and choosing the right CRM package.

**Concluding Remarks about Relationship Marketing**

Relationship marketing is more relevant for service firms as the interaction between the marketer and the customers is growing on a regular basis. The terms CRM and relationship marketing are often used interchangeably, the difference between the two terminologies and the primacy of relationship marketing should be popularized among students, academicians and practitioners.

From the point of view of practitioners, the primary problem associated with introducing relationship marketing initiatives is the need for higher investment, that profits will get reduced in the beginning and that it will take time to get yields from the program in terms of cash flow, profits, market share, etc. If a relationship marketing initiative does not bring a drastic and visible change it is

\textsuperscript{78} Ibid., 1995.
dubbed as a failure, other companies avoid it. As a result many companies are still testing the waters, while they should have reached the destination.

The second core issue for marketing practitioners while embracing relationship paradigm is altering the company culture to be customer-centric can be a major challenge because of the long-term supremacy of the product superiority view. To produce a consistent customer experience, companies should adopt a company-wide customer-centric culture. Customer-focused cultures can be fashioned though considerable investment and time is needed Still many companies find it difficult to accept their customers as the undisputed king.

They pay only lip service to customer satisfaction. They want their customers to choose product or service that is profitable for them in terms of higher profit or higher commissions. There should be an attitudinal change across the hierarchy, for any relationship marketing initiative to be successful.

To conclude, beyond doubt relationship marketing is a paradigm in marketing literature; a new but old concept. But the conceptual bases of relationship marketing are not yet completely developed even after two decades of existence. The future survival and status of relationship marketing as a discipline depends on the development of a solid theoretical frame work based on empirical research.
Prior Studies in Relationship Marketing

Life insurance has been analysed from relationship perspective (Crosby, Evans and Cowles 1990)\(^7^9\) and it is proved that relationship marketing can be applied to life insurance selling because there is a perceptual need for the products and the customer has full control over the choice of the service provider.

From another study conducted in the UK, we can infer that life insurance companies need to consider ways of institutionalising a relationship marketing philosophy at the service encounter in order to move toward greater client orientation (Morgan and Chadha 1993)\(^8^0\).

A study conducted in England and Ireland has proved that the benefits of good market relationships between small entrepreneurs and financiers increase efficiencies in the social economy as well as the efficiency of their organization (Patrick Butler and Mark Durkin 1998)\(^8^1\).


Relationship marketing is found to be working well in private banks in South Africa (Abratt, R and Russel, J 1999)\(^8\).

A study conducted among hospitals in the United States of America concludes that the level of relationship marketing activities of a hospital and their performance on financial and non-financial indicators are positively associated (Naidu, et al 1999)\(^3\).

Findings of a study conducted among service firms located in Hong Kong indicate that the firm’s degree of relationship marketing orientation is positively associated with sales growth, customer retention, ROI, sales growth, and overall performance in Hong Kong’s service sector (Sin, L. Y. M, et al 2002)\(^4\).

A study on relationship marketing practices based on ownership pattern in Hong Kong has concluded that cultural factors, based upon bank ownership play an important role in the development of relationship marketing and


relationship marketing practices are not yet fully implemented in the banking industry (Gilbert and Choi 2003)\(^85\).

From a recent study conducted in Singapore we can conclude that the rapid advance of information technology and the liberalization of insurance industry in Singapore have heightened the competition among life insurance providers and the marketers have to move beyond the satisfaction paradigm (Durvasula, \textit{et al} 2004)\(^86\).

From a study conducted in the Madurai Division of Life Insurance Corporation of India it is evident that relationship marketing is applied and appreciated by a very few percentage of the insurance agents contacted in the study (Ramkumar, D 2005)\(^87\).

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A study on the Hong Kong hotel industry has validated that relationship marketing is a critical success factor (Sin, L. Y. M 2006)\(^8\).

**Research Gap**

Relationship marketing is proposed as one of the priority areas for research (Marketing Science Institute, 1990 and 1983; Berry 1995). Despite the importance of relationship management in services marketing in the overall success of the firm, research in this area is limited (Janet E. Keith, et al 2004)\(^9\). Further research is vital to establish the impact of customer satisfaction versus relationship marketing strategies (Andrew D. Pressey and Brian P. Mathews 2000)\(^{10}\).

With the help of CRM practices private players are successful in selling multiple polices to the same customer Rajesham, Ch and Rajender, K (2006)\(^{91}\). Cross selling is another CRM strategy where new products are sold to existing

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customers, like a hawker selling mangoes during summer season will sell bananas to the same customers for the rest of the year. SBI Life Insurance Company is very successful in cross selling. SBI Life products are sold across 6,500 branches of the state bank group. The SBI group is successful in selling insurance products to 2 per cent of its customers in branches and they have an idea of increasing it to 30 per cent.