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Reframing relationship marketing for consumer markets

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Received (in revised form): 30 October 2000

Keywords: relationship marketing, relationships, consumer markets, metaphor

Abstract

This paper reviews the implications of the move from transactional to relationship marketing in consumer markets, using theory and research grounded in business-to-business and service markets. It argues that in assuming a marriage-like relationship with multitudes of consumers simultaneously, contemporary marketers are placing too much emphasis on understanding an idealised relationship and too little on researching good marketing practice.

Transactional Marketing is undergoing a mid-life crisis

Introduction

In 1991 Regis McKenna prophesied a fundamental transformation in the practice of marketing 'from manipulation of the customer to genuine customer involvement; from telling and selling to communicating and sharing knowledge; from last in line function to corporate-credibility champion'.¹ This shift in the role and practice of marketing is embodied in the move from transactional marketing to relationship marketing (RM). While most marketers will agree on the nature and content of transactional marketing, the kind of marketing we do not want to practice, there is far less consensus on the core elements of RM, the kind of marketing we *do* want to practice.

One approach to understanding and clarifying RM is firstly to identify what it is not. It is not about manipulating customers. It is not about mass communications. It is not involved in attempts to sell products and services to an anonymous marketplace. It is not about getting the sale and to hell with the consequences. More fundamentally, it does not perceive customers as passive trophies that are won or lost through strategic warfare in the marketplace. Indeed, this whole approach to marketing, popularised in the 1950s and 1960s, is now recognised as having a host of limitations. It did not understand customers and it failed to retain customers (now recognised as woefully costly). As a result of the ineffectiveness of transactional marketing, marketing practitioners did not get the respect and attention they deserved within commercial organisations. Marketing was relegated to a last-in-line function with little corporate influence. This was symptomatic of what McKinsey practitioners described as 'marketing's mid-life crisis'.² By the early 1990s the implications of this malaise were evidenced in the downsizing of marketing departments and the cutting of marketing budgets. Marketing needed something new. It needed to regain its position in the corporate hierarchy by re-establishing its role as the discipline which can

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In its idealised form relationship marketing is like a marriage

understand customers' needs and wants and translate this understanding into corporate profits.

The shift from transaction marketing to relationship marketing was, arguably, not just about techniques. Relationship marketing is not concerned simply with a one-time sale, but aims to build a long-term relationship with customers as a way of realising their lifetime value. In its idealised form this relationship is much like a marriage — a connection between equal partners, characterised by trust, commitment, communication and sharing, which results in the mutual achievement of goals. RM epitomises a win-win strategy. The organisation pursuing that strategy reaps benefits in terms of dramatic increases in customer loyalty and the associated savings. New product introductions are more likely to succeed because they are the outcome of a customer dialogue from the very earliest stages. Competitors are unable to woo customers away easily because they are being fulfilled within their current relationship.

Thanks to relationship marketing, customers become partners of organisations

From the customers' point of view, RM is also beneficial. They are no longer being manipulated and controlled by commercial organisations. They no longer have to make do with generic, mass-produced products and services. Customers are now the partners of commercial organisations rather than the targets of commercial strategies. The benefits of being loyal translate into better, sometimes even customised, products and service and at no extra cost to them. They can rest easy that they have a relationship. The commercial world has changed. Marketers have bought into a make-love-not-war paradigm, and it is the customer who reaps the benefits. But is RM the panacea for marketers and consumers alike? Is this marketing utopia true and real?

From transactional to relationship marketing

It may be helpful to consider briefly how the contemporary goal of marketing has moved from creating transactions to one of developing relationships. The initial interest in relationships was an academic one, and was concerned with how exchange in business-to-business markets differed from the consumer marketing which dominated mainstream textbooks in the 1970s. One interesting finding of this case-based research was that price was less significant in purchasing decisions than had previously been contemplated. Pursuing this finding, the researchers found that buyers tended to stay with current suppliers because they were familiar with how they operated and they could trust in their promises. In this way, relationships between organisations were recognised as being important in and of themselves. At around the same time, services marketing researchers were also beginning to understand the importance of relationships, in particular that customers did not simply evaluate individual transactions but also considered previous interactions and the people involved in facilitating service encounters. Thus, in business-to-business markets and service markets involving a high degree of interpersonal interaction, personal and business relationships were recognised as being important. Over the following decade, because of various influences including globalisation, business relationships became strategically important.

Initially, it was in business-to-business and high contact service situations that RM was appealing

Transactional marketing proved to be a leaky bucket

Relationship marketing in consumer markets

Throughout most of the 1980s consumer product marketers were uninterested in and unconcerned with this talk of relationships. Mass-marketing techniques had served them well for over 30 years, and would continue to do so. Although there was some recognition that individual customers were not identifiable, this was largely unproblematic because there were many more fish in the sea. In the UK the boom of the mid-1980s resulted in the creation of a market big enough for everybody to survive. It was the me-decade, the decade of materialism. Consumers had both the money and the desire to consume the vast array of products and services on offer to them. It was the heyday of marketing, too. Advertising budgets were not just big, they were huge. But with boom comes recession, and marketing was one of the first to suffer. The focus on acquiring new customers was questioned, and the leaky-bucket theory offered as explanation. While lots of water is being poured into the bucket, it masks any leaks — the bucket remains full. If less water is available the leaky bucket eventually becomes empty, as it cannot effectively retain its contents. So too with marketing. Before a company could identify what customers it gained and what customers it lost, it relied on a generic measure of market share (the amount of water in the bucket) for its effectiveness. However, the advent of relational databases facilitated recognition of individual customers and their ebbs and flows, and thus refocused attention on understanding and keeping customers. New methods and approaches were required, and the tools and techniques in the direct marketer's armoury offered some hope.

Database marketing provided the opportunity to identify the track individual consumer behaviour

Direct marketing was perceived as being more focused and more efficient than traditional advertising. However, although direct marketing techniques predate much mass marketing by more than 100 years, by the 1980s they had been relegated to a less desirable position in the marketing hierarchy. Direct marketing was perceived as being the kind of marketing that poorer companies did. Mass marketing was enacted by successful top-of-mind companies. Therefore, in order to merge direct marketing techniques seamlessly within the mass marketer's arsenal, marketing was itself redefined as relationship marketing (RM). Thus, although RM was previously considered inappropriate in mass consumer markets due to the anonymity of the marketplace and the lack of interpersonal interaction, these obstacles were surmountable by direct and database marketing. The database can be used to identify and track individual customer behaviour, while direct marketing facilitates personalised communication with individual customers. This overcomes both the problems of customer anonymity and those of two-way interaction. While retention or loyalty is primarily beneficial for the marketer, a relationship results in a win-win outcome for both customers and marketers. In this way, the goal of mass marketing came to be the engendering of customer relationships, and the tools and techniques were borrowed primarily from the direct marketer's repertoire. The shift from transactional to relational marketing was complete. However, understanding of what RM really was remained fuzzy, as did the nature and content of these cherished relationships.

Understanding relationships

Because interpersonal relationships were important in building exchange relationships, researchers immediately looked to the vast bodies of research that already existed within the social sciences. They borrowed concepts like trust and commitment from this literature, and used them as lenses through which exchange relationships could be viewed and understood. In 1983 Levitt made the explicit connection to marriage when he advised that companies should enter wedlock rather than engage in a series of one-night stands.³ As a result of Levitt's polemic and the intuitive appeal of his analogy, corporate partnerships were instantly equated with marriages. Because most of us understand what makes a good marriage the comparison was accessible and tantalising. The need for mutual goals became apparent, as did the necessity of communication (and in particular, dialogue), the importance of trust and the fundamental role of working at that relationship. As a simple approach to understanding relationships the analogy with marriage is compelling. However, what is gained in vivid commentary may often be lost in substance and deeper meaning. Those who have benefited from a business school education will recognise the destructive power of excellent pedagogic tools when not effectively utilised or when used by inexperienced marketers, the maxim being 'a little knowledge is a dangerous thing'. The number of products which have been killed because they were perceived as dogs in the now infamous Boston Consulting Group growth/share matrix is a case in point.⁴

Essentially, it is argued, contemporary marketers view their interaction with their customers in terms of a relationship. In this context, such relationships share many similarities with close interpersonal relationships and are described in terms of increasing trust, commitment and mutuality. There is much in such a description that is closer to the ideal Western marriage than to the reality of marriage in contemporary society. Those who employ Levitt's analogy conveniently ignore the existence of dysfunctional marriages and marriages of convenience, and disregard the prevalence of divorce in contemporary society. Equally, they overlook that marriage takes place between two equal partners, where those partners (in theory, at least) eschew all others. Thus one is compelled to ask, in what way(s) are relationships between consumers and organisations similar to Western marriages. Recent studies have indicated that customers do not buy into this analogy.^{5,6} They are fully aware of the motivations of organisations which use detailed marketing information from extensive databases to target approaches and offers to them. They do not confuse these exchange relationships, whether they be in the short, medium or long term, with the sort of relationships they have with other people: friends, family, or spouses. Customers see relationships with organisations as different from those they have with people, so-called interpersonal relationships. They continue to trade with organisations which use information about them to get the offer right, but they do not consider this false intimacy an interpersonal relationship. It is not driven primarily by trust, commitment, communication and shared values, but by convenience and self-interest.

The marriage analogy is compelling but also limiting

Consumers do not buy into the marriage analogy

We have treated the relationship metaphor as though it represents reality

The rhetoric of marriage has obscured any real understanding of the relationship between companies and their customers

In view of this and other disconfirmatory evidence, there is an equally compelling question: how did this simple analogy come to define the nature of contemporary marketing research and marketing practice? Practising marketers regularly consider the relationship between a customer's income, gender or age and their propensity to purchase particular products and services. When we consider such statistical relationships, we do not imbue them with abstract attributes like trust and commitment. Rather, we analyse, examine and consider what the nature of that relationship might be — positive or negative, strong or weak. However, when faced with the suggestion that consumers have relationships with organisations we immediately attribute notions of trust, commitment and mutuality to that relationship. Essentially, this has occurred because the relationship is a metaphoric one. However, the metaphor is so strong, so accessible, so beguiling that we have lost sight of its metaphoric values and treat it as though it really exists.

Relationship is a value-laden word. It immediately conjures up visions of intimacy, equality, caring and sharing. This is because for over a decade the concept of an exchange relationship has been implicitly or explicitly compared with interpersonal relationships generally and with marriage in particular. The commercial world has been redefined to fit with this rosy metaphoric vision. Contemporary organisations invite relational participation. NatWest's current advertising platform of 'Isn't it time you started a meaningful relationship' is typical of this, as is the widespread use of the word 'trust' in other advertising campaigns. This is further reinforced in direct communications which invite us to buy particular products and services because we are 'valued customers'. Furthermore, a perusal of a publication such as the *Harvard Business Review* over the last decade and a half⁷⁻⁹ reinforces the need to get closer to our customers, build a learning relationship, engage in customer dialogue, develop genuine customer intimacy and customise the relationship for valued customers. While industry itself is concerned with developing relationships, a whole new industry has developed in order to facilitate, encourage and train marketers in the language of this new paradigm. However, the rhetoric of marriage may have obscured any real understanding of the meaning of the relationship that contemporary organisations seek with their customers. If it is not a long-term, committed and trusting connection between equal partners, then what is it?

This rhetoric of love and marriage has been peddled by management consultants and the media, is evident in contemporary advertising campaigns, accounts for significant new course development in business schools and is incorporated into most, if not all, marketing departments. If we really buy into this metaphoric world view, then being a marketer is as socially acceptable as being a doctor. Our efforts should be focused on working *with* customers rather than working *on* them. We should not be concerned with creating new needs and wants — our role is simply to satisfy existing needs. We do not have to sell products and services, rather our concern is with building relationships. But, let us face it, this marketing utopia does not exist. There are few, if any, marketers (or even

Relationship building in mass consumer markets is an impossible goal

customer relationship managers) who do not have responsibility for delivering sales. There are few contemporary organisations which are not involved with product and service innovation, and there are few managers who would not acknowledge that innovation is more about creating new markets than it is about satisfying existing customers. In short, the goals of marketing have not changed, but arguably the techniques we currently employ are more targeted and more sophisticated. On the face of it, the process of marketing is less painful if marketers and consumers believe that the outcome of interaction is a deep and meaningful relationship. But let us not pretend we want to build relationships which are analogous to marriages, because it serves no useful purpose. It is more than simply an idealised goal of marketing in mass consumer markets, it is an impossible goal.

Conclusion

The lack of empirical research into relationship marketing in consumer markets, the seductive appeal of Levitt's powerful metaphor of marriage, and our own need to be seen as a socially acceptable profession has led us uncritically to transfer understandings grounded in business-to-business and services marketing research directly to RM in consumer markets. Relationship marketers need to be reminded that the existence of an interpersonal relationship between consumers and companies has not been validated by research in consumer markets. We have accepted the rhetoric and forgotten the reality. We seek to form long-term relationships with our customers based on trust, commitment, communication and shared values. In doing so we have conveniently forgotten that this is not a marriage but a commercially motivated series of exchanges with customers which depend upon getting the offer right and delivering mutual benefit. Contemporary marketers need to acknowledge this dubious history, refocus attention on understanding consumers, and begin the systematic consumer research we need to understand this new field.

The adoption of the relationship metaphor has resulted in a neglect of good marketing practice

Thus, this represents a call for research which attempts to understand the commercial world rather than simply trying to understand how that world might look if it were based on close exchange relationships. We have begun to believe in the reality of multiple interpersonal relationships with our customers in consumer markets. This wholesale adoption of the relationship metaphor has meant that we have placed too much emphasis on the understanding of the interpersonal relationship and too little on understanding good marketing practice. It would be wise for all marketers using an RM approach in consumer markets to identify exactly what 'mutual benefit' means to their customers in a particular exchange, and also to evaluate the exact importance and nature of dialogue, trust, commitment and shared values in that specific context. We need to research our customers' understanding carefully and not ascribe to them feelings gleaned from different types of markets, in different countries. Additionally, if this really is a relationship in the eyes of individual customers, then we need to be prepared to meet the 'unexpected burdens' that our relational partners may expect us to shoulder when they are in difficulties.

In conclusion, it is important to highlight that despite this critique of the contemporary rhetoric inherent in the relational paradigm, it is recognised that there have been important developments and insights gained. The benefits for marketers are already being realised. Marketers now routinely merge and utilise sophisticated marketing information to better understand individual customers and their needs and wants, rather than using simple and unsophisticated measures aggregated at the market level. We now look beneath the global and uninformative measure of market share to track and understand customer acquisitions and defections which constitute the previously hidden 'customer churn'. Arguably, these two marketing approaches allow us to understand our customers better and provide them with goods and services that fulfil their needs and wants. This is essentially what contemporary marketing is all about.

However, it is in the suggestion that customers are important and equal partners to marketing exchanges that the rhetoric is most obvious. We still try to control and manipulate customers, albeit through the seduction of relationships. Individual customers are not equal to the organisations which satisfy their commercial needs, nor indeed are they equal to each other, as lifetime-value calculations reliably demonstrate. This suggests that some customers are more important than others, and consumers themselves recognise this. Within this reality, marketers should be concerned with how to satisfy customers' needs profitably and how to treat their customers fairly, effectively and efficiently. This is what contemporary customers want. Their needs for love, shared values, mutuality and the like are hopefully fulfilled by their genuine relationships with family, friends and colleagues. These are the essential needs which contemporary organisations cannot satisfy — for everything else there is marketing.

Marketing cannot satisfy the need for love

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