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Relationship Marketing: a New Approach to Marketing in the Third Millennium

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Abstract: Because of strong competition, fragmentation of markets, short life cycles of products and increasing customer awareness and complexity, the necessity of relationship marketing approach is felt more than ever. Relationship marketing involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders. A relationship orientation implies that the focus of marketing is on retaining customers by maintaining and strengthening win-win relationships over time. Relationship marketing is more about maintaining existing customers than to attract new customers and it is just in contrast to the transactional marketing. This article first describes the concept of relationship marketing and views it from two American and European perspective. The reason for emergence of relationship marketing and its historical roots is presented and finally the most important relationship marketing models which are presented by various experts has been analyzed. Organizations and companies, using relationship marketing approach can gain competitive advantages and increase customer satisfaction and loyalty. Since customer retention, loyalty and satisfaction are crucial to survive business, so today using an approach that better achieves these goals is highly regarded. Relationship marketing as a new approach has proven in theory and practice that it is one of the most successful approaches.

Key words: relationship marketing, loyalty, satisfaction, transactional marketing, relationship marketing models

INTRODUCTION

Strong competition which exists today in all businesses causes companies to create stronger relationships between themselves and their customers. Marketers and managers are trying to obtain valuable information from the customer's needs to develop long-term relationships with them to make their customers loyal (Roshani, 2009). Stiffer competition, escalating marketing costs, and ever shorter technology life cycles have led more and more researchers to suggest that marketing efforts should change from a focus on immediate exchange to the initiation, establishment, and maintenance of long-term relationships with customers. As a consequence, relationship marketing has been suggested as the next dominating marketing paradigm (Anderson, 2005). The orientation of relationship marketing is on obtaining a share of the customer, not a share of the market. A relationship orientation implies that the focus of marketing is on retaining customers by maintaining and strengthening win-win relationships over time (Ward & Dagger, 2007).

Relationship marketing focuses on how to develop, maintain and enhance customer relationships over the customer life cycle rather than on attracting new customers (Zineldin & Philipson, 2007).In relationship marketing emphasis is on interaction between the parties in a relationship (Beetles & Harris, 2010). Relationship marketing is recommended as a strategy to overcome service intangibility and may be appropriate for "credence" services, that is, services that are difficult for customers to evaluate even after purchase and use (Crosby & Stephens, 1987).

Blomqvist *et al* (1993) proposed 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; implementation 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 " (Ndubisi,2007). Rakstis (1996), the National Retail Merchants Association, USA, reported that businesses lose approximately 20 percent of their customers each year, most of which arise from issues relating to incompetent service delivery. Of customers who switch financial institutions in the USA, 40 percent do so because of service quality problems (Ndubisi &Wah, 2005). Therefore, more than ever before, managers in the financial

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services industry must understand their customers so that they can better meet their best customers' needs and prevent them from switching to other companies. Any approach that addresses these issues is likely to meet with a great deal of interest, and relationship marketing has proven to be one of the most successful approaches. (Chiu *et al*, 2005). Firms have accepted that customer retention is even more profitable than customer attraction and we can observe the interest of firms in adopting relationship marketing principles and designing strategies to develop close and long-lasting relationships with the most profitable customers (Izquierdo & Cillan, 2005).

Besides its ability to help understand customers, relationship marketing also helps to increase market share, profitability, and reduce cost. Research has shown that the cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer (Ndubisi & Wah,2005).Customer relationship building creates mutual rewards which benefit both the firm and the customer. By building relationship with customers, an organization can also gain quality sources of marketing intelligence for better planning of marketing strategy. It is important, therefore, to understand the actual impact of the underpinnings of relationship marketing of customer loyalty. Such understanding will assist in better management of firm-customer relationship and in achieving higher level of loyalty among customers (Ndubisi, 2007).

Relationship Marketing:

Relationship marketing (RM) embodies international, industrial and services marketing and in a business context is superseding traditional marketing theory (Davis,2008).Relationship marketing is one of the oldest approaches to marketing, yet one of the least understood. It is a broad topic and many scholars and researchers have approached it from different perspectives. It is becoming one of those fashionable concepts that every marketer and manager uses but defines in different ways. It was Berry (1983) who introduced the term relationship marketing in a service context to describe a longer-term approach to marketing. Relationship marketing is attracting, maintaining and - in multi-service organizations- enhancing customer relationships. Customer relationships are at the center of this marketing perspective (Zineldin & Philipson, 2007). Gummesson (1993) defined the term as a strategy in which the management of interactions, relationships and networks is a fundamental issue (Ndubisi, 2007).According to Gummesson (1994), relationship marketing is recognition, development, retention and enhancement of relationships with customers and stakeholders through developing trust that will be achieved by fulfillment of promises (Ashtiani & Norouzi,2007). Relationship marketing adopts a customer focus and its main benefits include greater customer retention, increased loyalty, reduced marketing costs, and greater profits (Stavros & Westberg, 2009)

Kotler and Armstrong's definition of Relationship Marketing is noteworthy:

"Relationship marketing involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders. Relationship marketing is orientated to the long term. The goal is to deliver long-term value to customers, and the measure of success is long-term customer satisfaction." (Murphy *et al*, 2005).

They believe that today marketing is increasingly moving from individual transactions toward building relationships with customers and marketing networks (Ranjbarian & Barari, 2009). Gro¨nroos (1994) says 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 (Gro¨nroos, 1994). In his comprehensive definition of relationship marketing he defined it 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." (Ranjbarian & Barari , 2009). This is achieved by a mutual exchange and fulfillment of Promises (Zineldin & Philipson, 2007). Gro¨nroos (2000), argues that a relationship is by and large related to an attitude and, from the organizations viewpoint a relationship can develop only when all, or at least, most important customer contacts and interactions are relationship-orientated. Therefore organizations should create interaction and communication processes that facilitate a relationship (Rashid, 2003). Relationship marketing is about retaining customers by improving communications, customer data collection and customer service quality (Patsioura *et al*, 2009). The goal of relationship marketing is to form mutually beneficial alliances that must restrict trade among rivals by creating barriers to entry (Fontenot & Hyman, 2004). Morgan and Hunt states that relationship marketing refers to all marketing activities directed toward establishing, developing and maintaining successful relational exchanges and the presence of relationship commitment and trust is central to successful relationship marketing (Morgan & Hunt, 1994).The American Marketing Association's (AMA) definition of relationship marketing embodies these principles:

"Relationship marketing is a kind of marketing that its goal is developing and managing long-term and trustworthy relationships with customers, suppliers and all others acting in the market" (Rezaei & Elahi Rad,2007). As a result, one of the basic tenets of RM is customer orientation and the purpose of customer orientation is increase customers' long-term satisfaction (Leverin & Liljander, 2006)

The Necessity of Relationship Marketing:

Increasing number of producers and stiffer competition in the production of goods and services caused transactional marketing approach to change and relationship marketing approach which is based on long – term relationships with customers emerged. Factors affecting on the necessity of relationship marketing are divided into three main categories:

1- *Change in Competition:*

competitive conditions, such as entering the new competitors in the market and globalization of commerce show the necessity of implementing the relationship marketing.

2- *Change in Customers:*

-more experienced customers with more information about products
-change in customer's interests
-change in purchase (switching brands or places for buying the products)

3- *Change in the Environment*:

environmental changes led to the movement from transactional marketing towards relationship marketing. These environmental factors can be the change of rules and regulations, changes in technology and economic conditions. (Rezaei & Elahi Rad, 2007).

Benefits of Relationship Marketing:

From the customer's angle, Gwinner *et al*. (1998) conclude that could bring the customers the following advantages:

1-*confidence*: reduce anxiety, faith in product or service provider, feeling of trustworthiness of the provider.
2-*social benefits:* personal recognition by employees, customers being familiar with employees, the development of friendship with employees.
3-*special treatment:* extra services, special prices, higher priority than other customers.

Relationship marketing encourages firms to develop a strategic competitive advantage by:

1. fostering intense, difficult-to-duplicate marketing relationships with key trading partners
2. vertically integrating, even to the point of creating exclusive dealing or sole-source relationships and
3. collaborating with competitors

By focusing their efforts on several key trading partners, firms can reduce transaction expenses, increase the quality of goods, lower costs to customers, increase customer satisfaction, access markets and/or technical information that leverages complementary strengths and achieves economies of scale, absorb new knowledge, transform core competencies, and change the bases of competition. Relationship marketing seems strategically sound for many firms because these outcomes often lead to sustainable competitive advantages (Fontenot & Hyman, 2004). Research results have shown that attracting new customers is five to ten times more expensive than deals with existing customers. According to Pareto 80/20 Rule**,** 80% of business comes from 20% of customers, and a dissatisfied customer spreads his/her dissatisfaction among 8 to 10 other persons (Nematizadeh & Shahpanahi, 2007).

Some of the motives behind organizational investment in customer relationship building include, access to privileged information on customer needs and wants, mutual rewards, cost reduction and increase in profitability, etc. Reichheld (1993) reported that a 5 per cent increase in customer retention typically grew the company's profit by 60 per cent by the fifth year. It has been argued that long-term relationships where both parties over time learn how best to interact with each other lead to decreasing relationship costs for the customer as well as for the supplier or service provider. So Kotler (1992) concluded that companies must move from short-term transaction-oriented goal to long-term relationship-building goal. Webster (1992) in an analysis of the current developments in business and in marketing reported that "there has been a shift from a transaction to a relationship focus", 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 formation and management of strategic alliances" (Ndubisi,2006).

In other words, a key objective is to foster customer loyalty, which Oliver (1999) defined as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior (Ndubisi,2007). Although Customer satisfaction and loyalty are highly correlated, but form two distinct constructs. Customer satisfaction is a good basis for loyalty, although it does not guarantee it, because even satisfied customers switch service providers and suppliers. One important reason for switching is pricing. Hence, firms and organizations have launched customer loyalty programs that provide economic incentives. Although the effectiveness of loyalty Programs has been questioned, research has shown that they have a significant, positive impact on customer retention, service usage, and/or share of customer purchases (Leverin & Liljander, 2006). As practiced in the 1980s and 1990s relationship marketing had a strong emphasis on business to customer relationships .However, many commentators have expressed the view that a business is a coalition of stakeholders including employees, suppliers, shareholders, the community, as well as customers, and thus the scope of relationship marketing should be expanded to embrace business to stakeholder relationships. Other commentators have recognized that business financial performance is influenced by more stakeholders that just customers, e.g. Porter (1985) in his five environmental forces model, and Kaplan and Norton (1996) in their balanced scorecard model (Murphy *et al*, 2005) Moving from a customer orientation to a stakeholder orientation has been demonstrated to improve business return on investment. A stakeholder orientation implies that the ultimate objective of a business is to create value for all of its stakeholders beyond just value to customers (Murphy & Wang 2006). However, Ehigie believes that in the business world, customers are the greatest assets and the purpose of any business is to create and keep customers. RM is based on the premise that maintaining good relationship with customers is essential for business continuity. Business begins and ends with customers; it begins with identifying consumers' needs and ends with satisfying them (Ehigie & Taylor, 2009). Customer satisfaction is the major factor of success. Customer satisfaction leads to positive word – of – mouth communications, loyalty, repeated purchase and more profitability for organizations. Customer satisfaction can be considered as the fundamental principle in modern markets, so that the success of firms is highly depended on identifying and satisfying customer needs (Ranjbarian and Barari, 2009).

Relationship Marketing Roots:

The philosophies of academics in business have transgressed over time through a cycle starting with solely economic production then onto a selling orientation, to a customer/market orientation and finishing with a societal orientation. It is now beginning to shift towards the RM orientation .For the last 50 years the marketing mix concept has dominated the way in which most businesses have focused their marketing efforts. Gro¨nroos (1994) describes the marketing mix as being like a straight jacket that has restricted the marketing operations of companies, the common result being the competing of firms for a share of a market, which has matured. This has left the door open for RM, which offers the potential for companies to forge relationships with existing customers in an effort to prolong their custom. Gummesson (1994) suggests that there has been a paradigm shift away from the transactional marketing trend towards RM with importance given to the time-scale of relationships, and as Wright (2004) concurs "[. . .]the longer the relationship lasts, the more profitable it becomes" (Sarshar *et al*, 2010). Relationship marketing is one of the oldest approaches to Marketing. This reorientation of marketing has been proposed in contrast to the traditional approach, transactional marketing (Zineldin & Philipson, 2007). RM emerged in the 1980s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognized that many exchanges, particularly in the service industry, were relational by nature (Leverin & Liljander, 2006).

In a seminal work, McCarthy (1960) presented the marketing mix management approach, reconstructing Borden's original 12 variables into the now familiar '4Ps' framework (Price, Product, Promotion and Placement). Although probably the best known model in marketing its theoretical foundations have been severely questioned. The "marketing mix management" approach, originated by McCarthy (1960) had the '4Ps' model at its conceptual core. Gronroos criticized this model represented an *"oversimplification of Borden's concept"* as it had been completely severed from its conceptual and theoretical underpinnings, *"...theoretically, the marketing mix became just a list of P's without roots"*. The 4Ps model was criticized as a list of decision making variables on four further fronts Whilst McCarthy was certainly responsible for filleting Borden's list, principally for pedagogical reasons, he presented his model as an aid to instruction and a starting point from which to construct a complete marketing strategy, not, as it had become, the foundation for an entire marketing paradigm. The fault lies not with McCarthy, but with marketing academia as a whole the Transactional Marketing paradigm was not a customer-orientated approach to business but a product-orientated philosophy. The Transactional Marketing (TM) Paradigm, as discussed, had its origins within a unique and highly specific business environment; that of the North American consumer goods markets of the 195O's. These origins limited the value of TM as a universal theory of marketing. The deviation from this specific business environment was greatest within the domains of service marketing and business to business marketing, albeit in very different ways. The theory and practice of Transactional Marketing assumed that consumers were available in great numbers and behaved passively. Within industrial (B2B) and service markets, the interactive participation of the customer is required to successfully complete the exchange, within B2B, customer-firms are often limited in numbers. Transactional Marketing maintains the assumption of its microeconomic origins in that the marketing mix is used to help a company 'optimize' [maximize] its profit function. It is because of this that firms considered that marketing objectives were met at the point of customer attraction - i.e. moment of exchange. There was a growing recognition that, in marketing a service, the objectives should not only be to attract, but to then keep and maintain the customer - to develop a long-term relationship with them. When selling a physical product, the costs of production are offset by the revenue of the purchase. With a service, the majority of costs are often incurred whilst 'setting-up' the service, for example; accountancy and banking. The implication of this is that a longer-term strategy, in conjunction with placing significant emphasis on customer retention will yield dividends and indeed, empirical evidence (e;g. Reichheld 1996) supports this. It was during this period of marketing uncertainty that Relationship Marketing first began to be discussed (Harker & Egan, 2006).

The term "relationship marketing" was coined by Berry (1983) but the articulation of a concept of relationship marketing can be traced back in the literature to the work in the 1950s by McGarry (Beetles & Harris, 2010). Amongst many other things, it has also been called "customer-focused management", or "relationship management". Berry (1983) used the term as part of a critique of services marketing literature, arguing that researchers and businessmen have concentrated far too much on attracting consumers to products and services than retaining them. He advocated a switch from a transactionary approach where marketing effort was focused on customer attraction, to a relational approach, where the attraction of new customers should be viewed only *"as an intermediate step in the marketing process"*, and the primary objective was retaining customers. Berry (1983) defined Relationship Marketing as *"attracting, maintaining and - in multi-service organisations - enhancing customer relationships"*. The body of RM knowledge was growing. Since Berry (1983), other authors had presented alternative definitions of Relationship Marketing within the services marketing literature. *"RM concerns attracting, developing, and retaining customer relations"*. *"establishing a relationship involves giving promises, maintaining a relationship is based on fulfilment of promises; and, finally, enhancing a relationship means that a new set of promises is given with the fulfilment of earlier promises as a prerequisite."* The body of RM knowledge was growing. Since Berry (1983), other authors had presented alternative definitions of Relationship Marketing within the services marketing literature. *"RM concerns attracting, developing, and retaining customer relations"* . *"Establishing a relationship involves giving promises, maintaining a relationship is based on fulfilment of promises; and, finally, enhancing a relationship means that a new set of promises is given with the fulfilment of earlier promises as a prerequisite."* The core of these ideas from services marketing is the interpersonal interaction between buyer and seller interaction. Clearly, a relationship between two parties is something that grows in strength through repeated exchanges over a period of time, it is not instantaneously generated. Gronroos (1991) suggested that the true decision facing firms was not Transactional Marketing or Relationship Marketing, but rather where on a *"marketing strategy continuum"* the company should place itself. In some cases, a firm could be justified in maintaining a purely transactional approach. *"Por some types of products and in some situations or for some types of customers a one-deal-at-a-time approach may be a good strategy"* In between the extremes of absolute Transactional Marketing or Relationship Marketing, Gronroos saw a multiplicity of options combining elements of both systems, much as the majority of national Governments employ a mixture of free markets and state planning. Observation of real-world practice also suggests a hybrid managerial approach. Such a supposition goes against the common view that marketing theory only has room for one paradigm and that this paradigm should be *either* TM *or* RM. This Transactional Marketing-Relationship Marketing continuum forms the basis of a simple model presented by Gronroos. In this model he attempts to place various categories of goods/services at the appropriate place on the continuum. Starting at the Transactional Marketing end of the continuum, the category he considers most appropriate for a completely transactional approach is consumer packaged goods, followed in order by consumer durables, industrial products, at the Relationship Marketing end of the spectrum, he places services (Harker & Egan, 2006).

Kotler argues that transaction marketing is more useful than relationship marketing when the customer has a short-time horizon and can easily switch from one supplier to another without spending more. Relationship marketing can pay off if customers have a long-term perspective and there will be high costs for switching supplier. Kotler argues that the decision whether to use relationship marketing or transactional marketing depends on the industry and the needs of the customer. There are two types of customers; one valuing a high-service supplier and committed to that supplier for a long time, and others who rather want to cut costs and will switch supplier easily. The relationship concept, as well as the marketing concept, focuses on satisfying customers' wants and needs. This modern (or old!) marketing concept on the other hand seeks way to build long-term customer relationships. But a close relationship with customers, suppliers and other involved parties has its limitations and disadvantages. Some organizations avoid the dependence on specific or few subcontractors, suppliers, or distributors. There are marketing situations where, in an ideal world, a company might like to practice relationship marketing approach, but it simply is not feasible. There are also many situations when relationship marketing is not the right approach. Some customers may prefer more distant contact because they prefer to purchase offerings on the basis of price and quality competition rather than on the basis of a long-lasting relationship. The right combination of product orientation, sales orientation, and marketing or customer orientation is the cornerstone in creating, developing and enhancing long-term customer relationships. If a company does not have the right product/service quality, promotion, personal selling, advertising, display, and servicing, it cannot create or achieve the right relationship with the right customer (Zineldin & Philipson, 2007).

Table 1: a comparison between relationship marketing & traditional marketing

	Traditional	RM
Focus	Single sale	Customer retention
Orientation	Product featues	product benefits
Time scale	Short	Long
Service level	Little customer service	High customer service
Commitment	Limited	High
Customer contact	Moderate	High
Quality	Concern of production	Concern of all

Source: (Harwood & Garry.2006)

The popularity of relationship marketing is fed by the fact that building relationships is beneficial for both customers and the enterprise. Organizations seek benefits in order to develop a relationship with their customers, so that they will be able to create a competitive advantage. It is also the same for the customers, who seek a benefit to start relationship and respond with their loyalty (Rashid, 2003).

American Perspective on Relationship Marketing:

Relationship marketing as a term first appeared in the US marketing literature in a 1983 paper by Berry. Services marketing provided the context for introducing RM. The general notion has been discussed by many marketing writers using different descriptors for a long time. However, as an identifiable subject within the overall domain of marketing in the US, RM is a relatively recent phenomenon. What makes RM so pervasive is that it has been shown to be applicable to all sectors of marketing – consumer goods, services and business-to-business settings. Many academic studies on relationship marketing have been conducted in the last 20 years. Several books with RM in the title have appeared in Europe and North America. Research on RM has mushroomed. The greatest stimuli to the growing literature probably were the conferences held on the topic at Emory University that produced 57 papers in the first volume and 54 in the second. A second significant development was the publication of a special issue of Journal of the Academy of Marketing Science on RM in Fall 1995. Because of this substantial body of scholarly work, RM is now recognized as a significant paradigm shift within the marketing field. The "values" that underpin RM began to be analyzed in the late 1990s. This research shows that confidence/trust is primary reason customers maintain relationships, loyalty is a key element in relationships and satisfaction, trust and commitment play differing roles in customer relationships. Fournier *et al.* (1998) called for more analysis of the value foundations of RM. Several articles have examined the notions of values and ethics in RM: the ethical and legal foundations of relational exchange; relational norms can lead to both positive economic self interest as well as commitment and satisfaction outcomes; trustworthiness (promise keeping) and justice are keys to understanding RM; and "commitment" is central to RM (Murphy *et al*, 2007).

European Perspective on Relationship Marketing:

RM also has a longstanding tradition within the European academic marketing field. Baker (1994) observed that just as relationship marketing was beginning to preoccupy theorists in the US, work had been in progress for over twenty years in Europe. This statement was not meant as a boast, but to indicate that the antecedents of relationship marketing can be traced back to the 1950s and 1960s in the work of the "Copenhagen School". Before the marketing mix (or four-Ps) paradigm became dominant, Europeans were arguing for a wider view of marketing. Gro¨nroos (1994) asserts that the eventual hegemony of the four-Ps paradigm could be "characterized as a step back to the level of, in a sense equally simplistic, microeconomics theory of the 1930s". In other papers, Gro¨nroos (1989, 1991, 1994) has linked the subsequent development of marketing theory in Europe to its basis in the interaction/network approach and to industrial marketing perspectives. These insights led Gummesson (1987) to coin the term "part-time marketers" for those non-marketing personnel involved in these transactions. Marketing was no longer the preserve of specialists, but involved a wider group from other functions or departments. "Buyers" could now come from a number of areas rather than only the purchasing function. As already noted, this revised perspective was disseminated throughout Europe partly through the IMP Group. The work demonstrated that especially within industrial marketing these interactions lead to the development of social relationships and relationship building. This contrasts with the classic American four-Ps paradigm where the seller is active but the buyer is passive and no personalized relationships are supposed to exist, at least initially. This change in theoretical perspective mirrored an evolution in marketing practice. Consumer marketing began to emphasize customer retention and loyalty rather than customer acquisition, while in industrial marketing a fundamental shift occurred in the make/buy decision with the result that outsourcing grew rapidly. Both these trends led to a desire to build more stable and lasting relationships. Key concepts evolved such as reciprocity, ensuring both parties benefit from the relationship, and the need for a sense of social solidarity – equitable partnership for all. Engaging in co-operative relationships inevitably increases the vulnerability of the parties; therefore relationship marketing also must be ethical marketing. Where relationships are marked by reciprocity or solidarity, there is concern for reputation, trustworthiness and mutual advantage (Murphy *et al*, 2007).

Relationship Marketing Models:

To identify key aspects of relationship marketing much research has been taken place and various models are presented which some important of them are mentioned as follow:

Man So and Speece's model

Man So and Speece indicated the following activities in a relationship:

1-Social Activities:

- Invite clients to non-business related social activities
- Invite clients to reception cocktails
- Offer personal greetings to clients
- Invite clients to lunch
- Invite clients to dinner
- Organize seminars/luncheon presentations for clients
- Perform courtesy visits to the client

2- ***Information Exchange:***

- Send research/publications to the client on a regualr basis
- Provide research/data to the client when requested
- Obtain business update from the client on a regular basis
- Review credit/financial health of clients together with the client

3-***Selling Activities:***

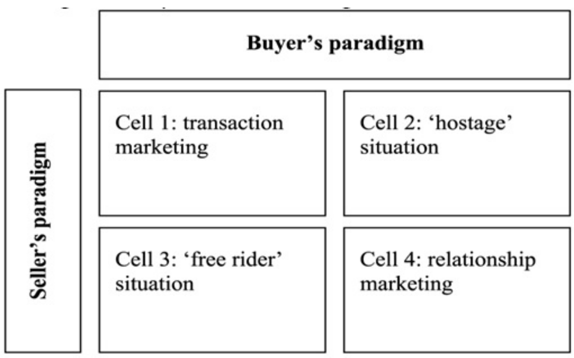
- Review services of the bank with client on a regular basis
- Actively introduce new products/services to the client
- Have efficient internal communication with product/service specialists
- Provide daily services to clients
- Review relationship between the bank and the client on a regular basis

4 - ***Monitoring:***

- Keep track of development of the relationship with the client
- Keep track of interactions between the bank and client(Man so & Speece,2000)

2- The Buyer-seller Exchange Situation Matrix:

The buyer-seller exchange situation matrix developed by Pels and her colleagues and tested empirically by Lindgreen (2000). It proposes a dyadic perspective that emphasizes the importance of analyzing both the buyer’s exchange paradigm and the seller’s exchange paradigm. As a result of perceptual differences between buyers and sellers, diverse exchange situations may be present in a given marketplace and which may be represented in this matrix. There are four possible market exchange situations, as depicted in Figure 1, with the hostage and free rider exchange situations being unstable. The interesting observation is that we have all of the exchange situations in the market place: the hostage situation is seen in closed economies, whereas the free rider exchange is found in buyer’s markets such as those found in some mature sectors in developed economies where sellers, in the "courting" phase, normally offer different additional benefits compared to transactional sellers. Transaction marketing is found in traditional mass markets, and relationship marketing is seen in more mature markets.



Source: (Palmer, 2005)

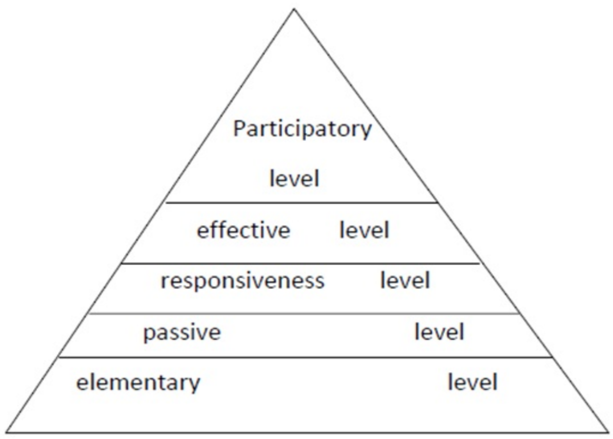
Fig. 1: Buyer-seller exchange situation matrix

3- Kotler's Five – Level Model for Relationship Marketing:

Kotler according to the reactions of companies to their customers after buying process presented a five – level model. A company that does not have any reactions after selling is in elementary level. When the company encourages customers to criticize or ask questions after purchase acts in passive level and contacting with the customer after purchase just for one time shows that the company is in responsiveness level. Companies that periodically contact with customers, they act in active and effective level and at last companies which continuously contact with customers are in participatory level. The model is shown in figure 2 (Rezaei & Elahi Rad, 2007).

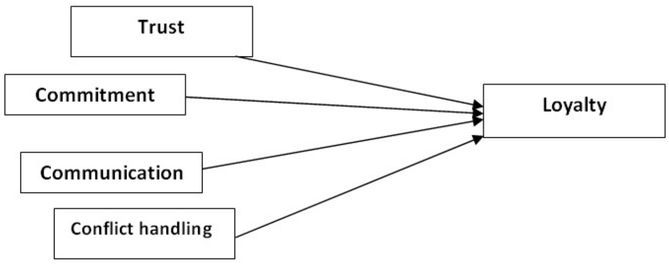
4-Ndubisi Model (Underpinnings of Relationship Marketing):

At 2007, Ndubisi presented a model for relationship marketing .He considered the relationship marketing with four underpinnings that introduced them as: trust, commitment, communication and conflict handling .He believes that they affect the customer loyalty. The model is shown in figure 3.



Source: (Rezaei & Elahi Rad, 2007).

Fig. 2: Kotler's five – level model for relationship marketing



Source: (Ranjbaryan & Barari, 2009)

Fig. 3: Ndubisi model (underpinnings of relationship marketing)

Trust:

Trust has been defined as ". . . a willingness to rely on an exchange partner in whom one has confidence" A betrayal of this trust by the supplier or service provider could lead to defection (Ndubisi, 2007). It means taking mutually agreed words as fact and reducing one's perception of the likelihood that either party will act opportunistically (Leung *et al*,2005).Trust is defined as a belief or conviction about the other party's intentions within the relationship. In the context of relationship marketing, trust is defined as the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other. It is identified as a key construct in modeling relationship marketing. Trust has also been linked to components of the other three dimensions leading to cooperation, communication and bargaining (Chattananon & Trimetsoontorn, 2009)

Commitment:

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency. In the marketing literature, Moorman *et al*. (1992) have defined commitment as an enduring desire to maintain a valued relationship (Ndubisi, 2007). Hocutt (1998) views commitment as "an intention to continue a course of action or activity or the desire to maintain a relationship" (Rashid, 2003). Studies in calculative and affective commitment, for example, have in fact demonstrated that buyers base their commitment on calculations of switching risks as well as on sentiments of allegiance (Barry *et al*, 2008).

Communication:

Communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers. (Sin *et al*, 2002). Communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages. Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision. Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal (Ndubisi, 2007). Bidirectional communication leads to a strong relationship satisfying both parties, which in turn leads to increased loyalty. Communication should be proactive rather than just reactive (Boedeker, 1997). Communication, as operationalised by Morgan and Hunt (1994), has three sub constructs. These are the frequency, relevance and timeliness of communication from the organization to the customer (Macmillan *et al*, 2005).

Conflict Handling:

Conflict is defined as the level of disagreement between both parties acting in an exchange which can be perceived in a relationship. It reduces the possibility of creating and maintaining a long-term relationship

(Ranjbaryan & Barari, 2009). But Dwyer *et al*. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. How well this is done will determine whether the outcome is loyalty, "exit" or "voice" (Ndubisi, 2007). Dawes and Massey (2005) found that frequency and bidirectionality communications had the strongest effects on interpersonal conflict and that communication should be meaningful, supportive and appropriate to be more effective (Meunier-FitzHugh & Piercy,2010).

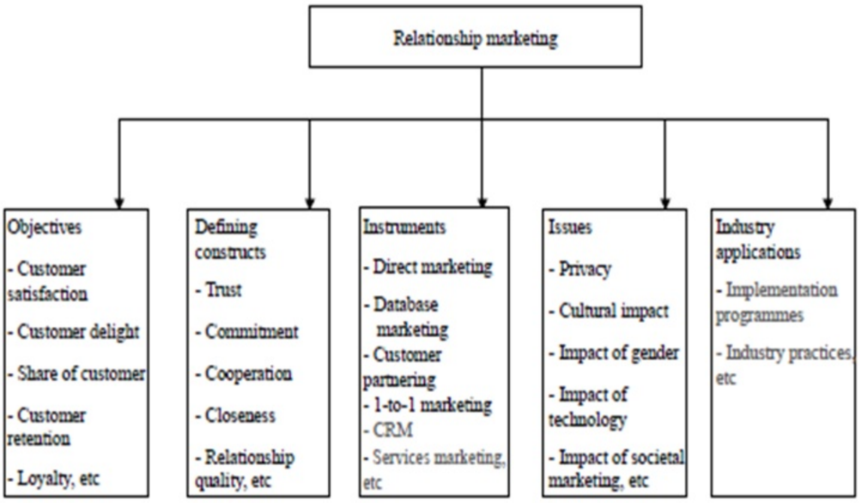
Loyalty:

Loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior (Oliver, 1999). Kotler defined the term loyalty as a lasting commitment to family, friends or country and believes that it initially entered to the marketing literature by emphasizing on brand loyalty (Ranjbaryan & Barari, 2009). One of the basic assumptions in relationship marketing is that long-term loyal customers are profitable. Storbacka *et al*. (1994) suggest that customer relationship profitability is achieved through a chain that starts with perceived value that creates customer satisfaction that, in turn, strengthens the relationships so that it lasts longer and thus becomes more profitable. It is assumed that it is cheaper to keep an existing customer than to acquire a new one (Reijonen & Laukkanen, 2010).

5- Comprehensive Model of Relationship Marketing:

The model shown in Figure 4 is an expanded version of the model developed by Lindgreen (2001) to classify the various disciplines in RM. As shown in Figure 4, the entire RM literature can be classified into the following five categories:

(1) objectives; (2) defining constructs; (3) instruments; (4) issues; and (5) industry applications



Source :(*Das, 2009)*

Fig. 4: Comprehensive model of relationship marketing

Conclusion:

Relationship marketing focuses on attracting, maintaining, and enhancing relationships between firms. Under this framework, exchange partners singularly and jointly benefit from acting concordant with their respective interests. Relational exchanges and enduring sets of transactions are preferred to discrete transactions and short duration interactions because the former can enhance firms' competitiveness. Firms engaged in relationship marketing value and maintain relationships with their exchange partners because of the superior outcomes derived from purposeful cooperation (Fontenot & Hyman, 2004). The use of RM is designed to raise customer expectations and makes implicit promises to customers and other stakeholder groups Organizations must carefully manage their operations to avoid suggestions that they are cashing in on the latest issue or fad. They will need to work hard to overcome perceptions that RM exists only at the level of discourse. This has important implications for customer communications, in particular, and more fundamentally requires a whole rethinking of contemporary marketing systems. As such, this goes beyond the remit of any individual organization. Despite this, individual firms can strive to ensure that they consider the impact of their strategies on numerous stakeholder groups. In doing so, firms must be cognizant that RM is not a strategy that can be created; it is a position that must be lived. It must be evident in every part of the organization, every member of staff, every communication, and every single detail of the organization's business operations (O' Malley & Prothero, 2004). Also relationship marketing theory maintains that the set of important supplier and service provider characteristics should be expanded to include factors such as the timeliness of deliveries, design capabilities, flexibility, communication abilities, trustworthiness, cooperativeness, commitment to the success of the relationship, and willingness to assume risk (Hunt *et al*, 2006).

It should be noticed that there are also many situations when relationship marketing is not the right approach. Some customers may prefer more distant contact because they prefer to purchase offerings on the basis of price and quality competition rather than on the basis of a long-lasting relationship. The right combination of product orientation, sales orientation, and marketing or customer orientation is the cornerstone in creating, developing and enhancing long-term customer relationships. If a company does not have the right product/service quality, promotion, personal selling, advertising, display, and servicing, it cannot create or achieve the right relationship with the right customer (Zineldin & Philipson, 2007). Relationship marketing is suitable for situations where the customer has freedom to choose alternative suppliers and products, switching brands is normal and word of mouth communication is the best approach for promotion (Rezaie & Elahi Rad, 2007). In contrast to a transactional approach, marketing within the RM paradigm is represented as ''helpful'' and ''fair'' with ''win–win'' outcomes increasingly possible for both consumers and marketers (O' Malley & Prothero, 2004). Therefore companies by achieving a full understanding of relationship marketing principles can gain competitive advantages and retain their customers and market share. The results of many researches indicate that relationship marketing has a great direct impact on customer satisfaction and loyalty, thus it increases profitability and reduces costs (Roshani, 2009).

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