Kotler and Borden are not dead: myth of relationship marketing and truth of the 4Ps

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Abstract
Purpose – The purpose of this paper is to verify whether relationship marketing is a new paradigm that has replaced transactional marketing.
Design/methodology/approach – A literature and empirical study indicated that relationship marketing is neither an invention of the late twentieth century, nor prevailing in practice. This suggested that rather than a complete paradigm shift, relationship marketing and transactional marketing are complementary. Through interviewing five Scandinavian companies about their marketing priorities, their mix of transactional and relationship marketing approaches was studied.
Findings – The paper finds that no company exclusively used the relationship marketing approach. Some were merely utilizing the traditional marketing concept of 4Ps; others were blending a relationship and transactional marketing mix.
Research limitations/implications – This is a limited study, which calls for further validating.
Practical implications – The Kotlerism of the 4Ps is still dominating. Relationship concepts are utilized to some extent. A relationship strategy can be used as a supporting approach. Thus, there is need to blend relationship and transactional marketing mixes.
Originality/value – The paper argues that the relationship marketing is not a paradigm shift; focus should be on relationship management, not marketing. The paper also shows the complementarities of relationship management and transactional marketing.

Keywords Relationship marketing, Marketing strategy, Marketing mix

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

The real magic of discovery lies not in seeking new landscapes but in having new eyes (Marcel Proust).

Introduction
Building relationships is how you relate to and communicate with people. Relationships with others have been used from time immemorial to cope with the complexity of everyday life. 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.

Over the last decade, considerable emphasis has been placed on the importance of relationship marketing. This re-orientation of marketing has been proposed in contrast to the traditional approach, transactional marketing (Lindgreen et al., 2000). Relationship marketing aims at creating a client relationship from the start to satisfy and retain existing customers, while transactional marketing tries to make the sale and find new customer (Vence, 2002).

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A considerable number of academic scholars have devoted a considerable amount of time and effort to criticize and attack the traditional marketing mix theory. Success does not come solely from the manipulation of marketing mix elements but by building a long-term relationship between buyer and seller (Ford et al. 1986). The marketing mix approach is considered too limited (Grönroos, 1990, 2000). The marketing mix approach is not adequate in meeting the requirements of the marketing concept (Gummesson, 1995, 2000). Zineldin (1995) says that the marketing mix theory is not transferable to the services sector. Rafiq and Ahmed (1992) argue that this criticism of the 4Ps can be extended to include industrial marketing. Their argument is that the 4Ps do not take sufficient account of building a long-term relationship between an industrial buyer and seller.

Therefore, relationship marketing has been seen as a shift in paradigm, moving away from the marketing mix (or so called Kotlerism) with the 4Ps in focus. Many Scandinavian/Nordic researchers agree than Scandinavian companies have a much higher focus on relationship marketing than other European or American countries and that there is a paradigm shift moving away from traditional transactional marketing.

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. Thus, relationship marketing cannot be considered the most appropriate way in all situations. To be working and worthwhile the relationship revenue has to exceed the cost of the relationship (Kotler et al., 2002).

**Relationship marketing as a paradigm shift!**

**Definition of paradigm:**

Paradigm is our world view in any particular field. It tells us how we view, understand and explain the world.

The author Aijo (1996) means that there indeed is a revolutionary paradigm shift taking place in the area of marketing and that relationship marketing is the core of this paradigm shift. The main role and goal of the Nordic School and of Nordic authors has been to help extend the notion of relationship marketing from service marketing to traditional marketing and to the point when relationship marketing actually is defined as the new marketing paradigm.

According to our knowledge, only a few studies of current marketing practices have been conducted to investigate whether marketing is turning towards a paradigm shift or not. The research of marketing practices in the contemporary environment was indeed led in 1997 by Brodie, Coviello, Brookes and Little in the University of Auckland in New Zealand. The results did not support the concept of a total “paradigm shift”. Instead, the findings in several companies confirmed that the transaction marketing is still relevant and currently used with some types of relationship marketing. They say that the importance of transactional marketing should be recognized and estimated (Brodie et al., 1997).

Their study results contradict the trend of academics and practitioners of the so-called relationship marketing “paradigm shift”. As far as we know, in Scandinavia, no comprehensive research has been conducted by authors from the Nordic School to revaluate the relevance of the argumentation about this “paradigm shift”. This is the main issue of our study.

The purpose of the article is to explore theoretically and empirically if the paradigm shift has relevant reasons to exist or if transactional marketing is still the main marketing approach practiced by firms in Scandinavian/Nordic countries. The paper will explain the evolution of the relationship approach, and show the indispensable role of the traditional marketing mix theory in the development of the relationship marketing/management and strategy.

**Relationship marketing as a buzzword**

Diverse and uncertain environments have forced organizations to restructure themselves in order to enhance their chances of survival and growth. Restructuring efforts have included, among others, the emergence of relationship marketing. Relationship marketing has been used to reflect a number of different types of relational marketing activity.

Unfortunately, the precise meaning of relationship marketing is not always clear in the literature. Relationship marketing has become a buzzword, being used to reflect a number of differing themes or perspectives. It has become a “catch-all” phrase (Brodie et al., 1997).

Some of these definitions are:

... all marketing activities directed toward establishing, developing, and maintaining successful relational exchange ... adequately conceptualizing relationship marketing requires a definition that accommodates all forms of relational exchanges (Morgan and Hunt, 1994).

The most important issue in marketing is to establish, maintain, and enhance (usually but not necessarily always long term) relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises (Grönroos, 1990).

Relationship marketing is attracting, maintaining and enhancing relationships with/through the organization/organization enhancing customer relationships (Berry et al., 1983).

Or, according to Christopher et al. (1991):

The relationship marketing concept is emerging as a new focal point, integrating customer service and quality with a market orientation.

Relationship marketing is attracting, maintaining and enhancing customer relationships (Berry et al., 1983).

In 1995 Zineldin defined a business-to-business (B2B) relationship in the following way:

B2B is a dynamic link between at least two parties operating within a given industry and expecting mutual benefits from each other. The behavior and activities of one partner are always more or less dependent on the outcome of those of others. It is a highly adapted relationship and involves a complex pattern of interaction. The interaction includes business and social exchange. The quality and nature of the relationship depends on the quality of the interaction process. This relationship may involve cooperation as well as conflict between the two parties (Zineldin, 1995).

Indeed, this definition is relatively comprehensive. It includes the key issues or factors of establishing and maintaining a relationship. However, these definitions of relationship marketing provide the basis for the “so-called” new paradigm argument viewing marketing as an integrative activity involving staff from across the organizations, with an emphasis on building and maintaining relationships over time. Personal relationships, interactions, and social exchange are the most important core elements of relationship marketing.

**Is relationship marketing a new discovery or re-discovery?**

The more things change, the more they stay the same.

According to Payne (1995), the emergence of relationship marketing in the 1980s has been not so much a matter of discovery, but of rediscovery, of an approach that has long formed the cornerstone of many successful businesses.

Relationship marketing focuses on how to develop, maintain and enhance customer relationships over the customer life cycle rather than on attracting new customers. Repeat business is the lifeblood of any business. Indeed, Drucker (a top management consultant, not marketing) once stated “that the purpose of a business is to create and keep a customer.” He stressed, as early as 1963, the importance of attracting and keeping customers. He wrote the following:

Because the purpose of business is to create and keep customers, it has only two central functions: marketing and innovation. The basic function of marketing is to attract and retain customers at a profit (Drucker, 1963).
What can we learn from this old, modern and valuable statement?

- It places customers in a central position in an organization.
- It places marketing in a central role for the organization's success.
- Marketing activities should be concerned with the creation, keeping and retention of profitable customers.

It was Berry (1983) who introduced the term relationship marketing in a service context to describe a longer-term approach to marketing. But the contents of relationship marketing have been discussed and developed by many American and Scandinavian writers (Crosby and Stephens, 1987; Rosenberg and Czepiel, 1992; Christopher et al., 1991; Grönroos, 1990, 1994; Ravald and Grönroos, 1996; Gummesson, 1987; Zineldin, 1998; McKenna, 1991).

Customer relationships are at the center of this marketing perspective. This perspective is based on the rediscovery of marketing as a cross-functional approach, not as a departmental approach. The functional approach often means that while problems manifest themselves in one part of the organization, their root cause may remain unattended elsewhere. The main problem of this marketing approach is the lack of coordination and cooperation across departments and functions. This results in low levels of corporate performance and even lower levels of customer satisfaction. Relationship marketing emphasizes the organization of marketing activities around cross-functional processes as opposed to organizational functions or departments. This results in a stronger link between the internal processes and the needs of customers, resulting in higher levels of customer satisfaction.

Viewing marketing as a cross-functional approach or orientation is not a discovery of the 1980s or 1990s. Marketing, according to Drucker, is central to all effective marketing thinking, planning, and action. He wrote in 1973:

\[ \text{Marketing is so basic that it cannot be considered a separate function. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view (Drucker, 1973).} \]

This means that marketing is central to all business functions and the coordination across other functions of the organization is a focal point for satisfying the needs of customers.

Much of the literature on relationship marketing focuses on the development of long-term customer retention. However, this modern approach is certainly not a very new issue because Drucker has, as far back as 1973, summed up the importance of the focus on the customer and the future of the business (retention):

\[ \text{It is a customer who determines what a business is. It is the customer alone whose willingness to pay for a good or service converts economic resources into wealth and things into goods. What a business thinks it produces is not of first importance, especially not to the future of the business and to its success. What the customer thinks he/she is buying, what he/she considers of value, is decisive-it determines what a business is, what it produces, and whether it will prosper. And what the customer buys and considers value is never a product. It is always utility, meaning what a product or service does for him. The customer is the foundation of a business and keep it in existence (Drucker, 1973).} \]

It means that building long-run relationships with customers is a much more appropriate strategy than a focus on short-term profits or sales.

**Is relationship marketing a paradigm shift?**

**Borden and Kotler are not dead** *(marketing mix and relationship marketing)*

The shift from sales orientation to marketing orientation led to the development of the “marketing mix” theory. Today, the marketing mix theory is well known and referred to as the 4Ps, i.e. product, price, promotion “communication”, and place “distribution” (McCarthy, 1971).

It should be recognized that the origins of the marketing mix concept or approach was developed by Niel Borden at the Harvard Business School in the 1960s to describe the important ingredients or elements that should be considered in formulating a marketing program. These ingredients or elements were the following (Borden, 1964):

- product planning (P1);
- pricing (P2);
- branding;
- channels of distribution/place (P3);
- personal selling;
- promotions (P4);
- advertising;
- packaging;
- display;
- servicing;
- physical handling; and
- fact finding and analysis.

Over time Borden’s elements of marketing mix have unfortunately been simplified under the four headings or categories (4Ps). These marketing mix elements are the four key decision areas that marketers must manage in order to facilitate the exchange or transfer of goods, services, or ideas so that they may satisfy customer needs better than the competition. The American Marketing Association’s (AMA) definition of marketing (management) embodies these principles:

\[ \text{Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives (cited in Bennett, 1995).} \]

The 4Ps must work together in a single marketing plan to satisfy the customer’s needs and allow the firm to make a reasonable profit. Marketing mix elements are often viewed as controllable variables because they can be changed. They also describe the result of the management’s efforts to creatively combine marketing activities.

**Kotler (1994) defines “exchange” as follows:**

\[ \text{Exchange is the act of obtaining a desired product from someone by offering something in return. Whether exchange actually takes place depends upon whether the two parties can find terms of exchange that will leave them both better off (or at least not worse off) than before the exchange.} \]

To initiate the exchange process, the seller must know what the potential buyer needs. To implement the firm’s sales strategy and ensure its success, the marketers must actively manage, facilitate, and expedite satisfying exchange relationships through the creation, distribution, promotion and pricing of high quality goods, services and ideas.

...
The interaction approach to understanding industrial marketing stresses that success does not come solely from the manipulation of marketing mix elements but through long-term relationship building whereby the bond between buyer and seller becomes so strong that it effectively acts as a barrier to entry for out-suppliers (Ford et al., 1986). Grönroos (1990) argues that the marketing mix approach is too limited, stating:

Defining marketing according to the marketing mix approach is like using a list of objects as a definition. Such a way of defining a phenomenon can never be considered the most valid one.

While Grönroos criticizes the way of dealing with a phenomena by using a number of elements, many researchers in the 1980s and 1990s still love to use and to extend the number of the Ps; from 4Ps to six, seven or more Ps, Judd (1987) has found five Ps. Brookes (1988) has also added customer service as a fifth P. Kotler (1986) has found six Ps (public relations and politics). Booms and Bitner (1982) have found as many as seven Ps in service marketing (people, physical evidence and processes). Their arguments are that the 4Ps do not take sufficient account of people, processes and physical evidence. Wind (1986) suggests 11 elements. The list of elements can be as long as desired!

Gummesson (1995, 2000) found 30 relationships in marketing. He commented:

More characteristics of the R’s can be found. The business world is complex and consequently the R’s are multidimensional. This complexity has to be treated with respect; every effort to squeeze the relationships into a simple scale or matrix will curtail their validity … Other authors may have a somewhat deviant approach to the definition and the content of RM.

We agree with Gummesson and Grönroos that such a list is not the way to treat a new paradigm or to define a phenomenon. Adding a new number of elements, categories, components, or Ps is not enough to offer a fundamental improvement in marketing. Moreover, a list of elements does not fit all situations under all conditions and it never takes account of, nor includes, all relevant components.

At the same time we disagree with those researchers and writers who attack the meaning, philosophy, and importance of the marketing mix approach. The marketing mix is still valid and helpful in all industries (e.g. service as well as manufacturing). If a company does not have the right price, product/service quality, promotion and place or any other right marketing mix elements, it cannot create or achieve the right relationship with a customer. The right marketing and relationship mix of components offers a company a good opportunity to create a good total relationship with existing and potential customers (Zineldin, 2000).

The aim of Zineldin’s (2000) recent work is neither to add new Ps or Rs, nor to calculate how many Ps or Rs should be included when we treat a marketing issue.

Grönroos (1990) wonders:

In fact, it is almost unbelievable how the 4Ps model, which represents a never thoroughly tested belief from the world of consumer packaged goods of the 1950s and 1960s is still today widely considered the marketing model for the 1990s.

Our personal answer is simple. Practitioners of management and marketing still believe in the validity of 4Ps. Give them the freedom to believe and improve, reconsider and renew the temple instead of destroying it. Indeed, companies have to use the 4Ps to create customer relationships:

Relationship marketing combines elements of general advertising, sales promotions, public relations and direct marketing to create more effective and more efficient ways of reaching customers. It centers on developing a continuous relationship with customers across a family of related products (Copulsky and Woll, 1990).

Fitchett and McDonagh (2000) are supporting our view, stating that:

Some of those initially responsible for defining and expanding the RM concept as an alternative to the "exchange"-based paradigm of marketing (as RM converts choose to describe marketing thought before RM) will no doubt take a certain degree of comfort and pride in seeing their call for a paradigm shift being realized today. Such elation is, we propose, ill founded … But the coming of age of marketing through RM has not been revolutionary. The fairly painless transition from exchange to relationship is testimony to the extent to which the two opposing paradigms are in fact compatible and, below the rhetoric, rather similar. As a radical paradigm RM has most certainly failed and furthermore, it is incapable of offering any such development.

Instead of asking students, teachers, marketers, researchers and managers to neglect or forget, and thereby abandon their basic marketing management roots and a 30-year-old theory (to be gone with the wind), thinkers have to ask and encourage them to keep the basic concept and try to reconsider, modify or improve it, because it is still valid in practice as well as theoretically. The key issue in consideration of whether or not a particular P or R element should be included in the organization’s marketing mix should be based on whether it offers the customer or any other partners the desired value satisfaction. Our view is also supported by Jobber (1995) who states the following:

The important issue is not to neglect them, whether the 4-Ps approach or some other method is used to conceptualize the decision-making areas of marketing … The strength of the 4-Ps approach is that it represents a memorable and practical framework for marketing decision-making and has proved useful for case study analysis in business schools for many years.

The lack evident in the approach is not in the four or 12Ps. If thinkers, teachers, students or practitioners only pay considerable attention to the four generic categories rather than undertake a full analysis of their sub-activities, components, and the related inter-relationships between the elements, they will of course argue that the marketing mix approach does not capture the full extent and complexity of marketing, nor does it explicitly recognize the essence of relationships between a firm and a customer or any other partner.

Indeed, there is no absolute reasonable answer or reason why these P extensions cannot be incorporated within the traditional 4Ps framework.

If one focuses one’s attention and undertakes a full analysis of the above mentioned elements, one can find many relationships involved in them. Each of the 4Ps is a collection of sub-activities and has the potential to stimulate and create relationships with customers as well as with suppliers and dealers, etc. For example, people, processes and physical evidence can be discussed under product:

Marketing is the establishment, maintenance and enhancement of mainly long-term profitable relationships with customers and other stakeholders. This is achieved by an on-going mutually beneficial exchange process, including the fulfillment of promises, and is facilitated by the application of the marketing mix (Glynn and Barnes, 1996).

Building and keeping a long-term relationship can be discussed under promotion, which includes personal selling, advertising, display, and servicing. Alliances and networks
including vertical integration and franchising can be discussed under channels of distribution (place) that include all activities and logistic functions that need to be considered in marketing the available product or service. Channels of distribution, of course, include relationships with intermediaries (e.g., agent, wholesaler, retailer, etc.) who help a firm reach its ultimate customers in order to satisfy their needs and wishes.

Jüttner and Werli (1995) have discussed the relationship between marketing mix and the gaining of new customers and keeping the existing customer base (relationship philosophy). They pointed out:

- **Product policy.** This is the value of a product or service determined by the interaction between buyer and seller. The complexity of this relationship hence leads to a higher density of values and the integration of multiple service aspects even in manufacturing goods.

- **Pricing policy.** The fact that every single relationship should be treated as an investment for the company shows “customer lifetime value” as the guiding criterion for pricing policies. This lifetime value reflects the value of the individual customer over time.

- **Communication mix or promotion.** Communication messages do not primarily deal with the features of the products, but address directly individual customer characteristics and preferences. Additional customer information gained in each new contact (transaction) or “personal selling and contacts” is collected and saved in a “customer information file”. The increasing importance of new information and communication technologies for the implementation of relationship marketing can therefore be explained by its ability to enable the handling of data.

- **Distribution system or place.** This is a critical variable and has to be assessed for its value-generating potential. Exploiting this potential can result in either a reduction of barriers for relationship maintenance (e.g. time, knowledge) or an enhancement of future customer contacts (e.g. by additional customer information, “blueprinting customer contact points”). The superior idea for designing distribution systems is the individualized delivery – “customizing distribution”. Also, a distribution system influences the way and manner in which the important customer contact takes place – the “moment of truth”.

We argue that the modern relationship movement leads organizations back to the pre-twentieth century with the global scale of the twenty-first century through the 1960s (i.e. the Borden and Kotler 12 and then 4Ps).

**Back to the future**

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. Indeed, this movement, labeled “relationship marketing”, leads companies back to the early nineteenth century when retailers knew each customer personally, understood and satisfied their needs, but on the global scale of the twenty-first century.

Importantly, reading the historical perspective of how markets evolve towards the relationship approach, you might wonder what all the fuss is about. Shouldn’t all organizations have been practicing relationship marketing for centuries? The answer is perhaps surprisingly, no. 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. Some, though not all, markets return to the earlier stages. In some cases, radical new product technology can throw the market right back to one in which the product is king and nothing else matters. If we, however, undertake a full analysis of the above mentioned marketing evolution, one can find many similarities and common grounds between the relationship marketing orientation, the real relationship era of nineteenth century, and other marketing concepts and orientations.

Central to the traditional marketing concept is exchange, which seeks to achieve satisfaction for the customer and the marketing organization, including its employees, shareholders, and managerial satisfaction (Sudharshan, 1995).

Even if the basic philosophy underlying the relationship management approach is that the basis of all marketing and management activities should be the establishment of mutually beneficial relationship with customers, the main goal is (still) to create exchanges.

It should also consider the importance of the marketing mix approach, including its main as well as sub-components and activities. Also, the relationship concept should be considered as a generic category that includes a collection of sub-activities or components.

As a matter of fact, there are many common grounds between the traditional or transactional marketing and relationship orientation:

> The philosophy that marketing strategies must be based on known consumer needs has come to be known as the marketing concept. This view, which began to win wide acceptance in the mid-1950s, seems so logical today that one wonders why marketers did not turn to it sooner (Assael, 1985).

The relationship marketing concept integrates marketing into each phase of the business. This is not a new concept. This concept was stated clearly in 1952 by one General Electric executive:

> Marketing, through its studies and research, will establish for the engineer, the design and manufacturing person, what the customer wants in a given product, what price he or she is willing to pay, and where and when it will be wanted (General Electric Company, 1952, p. 21).
The marketing imperative was and is still the creation and retention of satisfied customers in a deregulated, complex and competitive environment. Both traditional and relationship approaches reflect the need to create an integrated cross-functional focus for marketing.

Research methodology and data collection
A qualitative approach was chosen due to the lack of previous research data for this research problem and objective, a minor quantities survey has been conducted. In total, 20 companies from Sweden, Finland and Denmark were contacted by letters and by a follow-up telephone calls to explore their willingness to participate in the research. Five companies were eligible and agreed to participate in the semi-structured in-depth interviews. The empirical data were collected and worked out by two bachelor thesis students under the supervision of the author. Content analysis was used to analyze the interview information, since it is suitable for systematically evaluating the symbolic content of all forms of recorded communications (Kolbe and Burnett, 1991). As a research technique, it provides knowledge, new insights, a representation of “facts”, and a practical guide to action (Krippendorff, 1980; Kolbe and Burnett, 1991), so it is particularly appropriate in a field such as this, where there has been limited previous research.

A minor quantitative survey is also utilized. The use of a Likert scale rather than a simple yes/no type of question in the questionnaire has helped us to have a better perspective of the existing situation of transactional and relationship marketing in the selected companies. Using a scale from 1-5 (1 is lowest ranking and 5 is highest), the respondents were asked to rank a number of statement related to their own implementation of transactional and relationship marketing.

Case companies and interviewees
These case companies and interviewees consisted of:

- McDonald’s, Sweden – Jan Verner, manager of McDonald’s City and Samarkand in Växjö.
- The Danish official hotel guide – Brigitta Stampe, Support co-ordinator at Denmark Hotels.
- Länsförsäkringar (Insurance), Växjö-Sweden – Billy Söderqvist, business area manager.
- Place, Finland – Toni Kylätasku, director and creator of the hairdressing.
- Turku Hostel, Finland – Johanna Olli, manager of Turku Youth Hostel.

Analysis and results
To be able to answer the research question and assess the dominance of a “paradigm shift” in Scandinavia, this section is analysing the current marketing practices of the five companies. Throughout this analysis, the concepts of transactional and relationship marketing are reflected to point out the existence of this so-called paradigm.

Ranking of TM and RM
All respondents were asked to rank the following statements from 1-5 (1 is lowest ranking and 5 is highest) related to their own implementation of TM and RM. The result is shown in Table I.

Analysis of the companies’ current marketing strategies
TM versus RM
Figure 1 shows that most of the respondents still have transaction marketing as a basis for their business and marketing activities. This result confirms the view of Kotler that the roots of marketing result in the 4Ps.

A total of 60 percent of the companies quoted profit through transaction as the first priority in their business. In addition, Figure 2 confirms that to build relationships with customer, a company needs strong transactional capabilities. Indeed, it proves that results are not high when it comes to consider the concept of relationships apart from a transactional management.

The interviews show that the companies’ main focus still lies on transaction. Even if building some kind of relationships with the customers is needed, the main focus should be on transaction and how to improve them to make more profit.

Many of the companies want to establish relationships but because of the lack of means and time, this is not easily realized. For instance, the manager of McDonald’s declares that the establishment of relationships with customers are definitely hard to build and almost impossible to keep because of the huge amount of daily customers and lack of time. For the insurance company, it seems more than essential to get first a competitive advantage in the product and the price, rather than immediately focusing in creating relationships. The example of the hair dresser is significant: his prices are high and the brand has a strong and good image that is why he does not consider the establishment of relationships building processes as essential for his business. He prefers to be very professional in his activity by offering a service with a high quality, rather than spending time and energy on trying to keep every customer. The youth hostel case is different as the company itself has chosen very low prices to get customers, to provide services with a good value for a very low price, so as the customer might be satisfied and return. This case, indeed, confirms one of the limitations of transactional marketing since for the manager of the company, it sounds clear that getting a new customer costs much more than retaining an existing one. Figure 3, shows how important the concept of customer retention is for all five companies.

However, most companies do not take retention as a main priority in their business, which can be viewed as quite strange and surprising. Kotler points out that there are a number of cost advantages in a customer retention strategy. But the case companies choose to put their main priority in another domain, for instance how to improve transactions efficiency.

Another point to take into account is the fact that the relationship marketing approach is not really confirmed by the data we collected. Indeed, most of the companies think they make money and profit through transactions, without creating long-term relationship or loyalty. This is especially true since transactions offer the advantage of a quick profit whereas loyalty requires time, experience and specific know-how. Of
course, from a long-term perspective, a loyal customer is definitively more profitable, but since the demand changes so often and customer becomes more and more demanding, a short-term profit system is also appreciated and required.

The questionnaires were created and formulated about the customer satisfaction focus and advantage (Figure 4), the expectation was that all the companies would put the highest grade. As surprising as it can be, Place only put three and McDonald’s four. The only explanation about those phenomena is that both have a strong brand and do not have to run after customers.

As the customization chart in Figure 4 shows, the majority of the companies try to be as close as possible to their customer’s needs. The case of McDonald’s is significant since they are a franchise company having no control and involvement in the product offerings.

However, one cannot deny that relationship marketing is present in all the cases, but at different level. According to Rapp and Collins (1990), the characteristics of relationships marketing, namely customizing market communications and products, listening to customers, caring and retaining customers from going to the competitors should be
emphasized in a company. Most of case companies focus on creating and keeping good quality and image, but do not insist or have specific relationship strategies. McDonald’s for instance try to provide the customer with the fastest service as possible, but nothing more. The only company that might contradict that point of view is maybe the insurance company. Indeed, the goal in every encounter they have with the customers is to retain them.

Communication mix
Figure 5 and Table II describe the existing marketing mix and communication strategies of the five case companies.

The distinction between personal and impersonal communication can be translated and used to compare two marketing concepts: transactional and relationship marketing.

Indeed, the use of personal communication is closely connected to relationship marketing while impersonal communication is directed to mass segments of customer in a transactional perspective.

Table II illustrates and confirms the communication mix focus of the each company.
Personal communications can be associated with relationship marketing and impersonal communications relate to transactional marketing. As the previous table indicates, the cases focus more on impersonal communications. Indeed, they invest a lot on advertisement, mainly in radio, television and newspapers. They are also involved in sponsoring activities and all of them have a regularly updated web site. The personal communication is also present but at a lower level. In this perspective, each of
the five companies can be considered as one having more of a transactional marketing focus in their promoting and communicating strategies.

In Grönroos’ definition of marketing communication, the importance of creating a dialogue is emphasized. To build strong ties with customer, they have to feel unique, recognized and important in the eyes of the firm. However, in our five cases, the emphasis is mainly on impersonal communication by sending messages to mass segments of customers. It does not create any dialogue since it is a one-way message and in addition to that, the message is not directed to the customer personally so, the feeling of customer uniqueness that is needed to create relationships does not occur in any way.

The result of the investigation can be summarized as in the following statement from Wikipedia, the free encyclopedia: Relationship theorists tend to compare themselves to traditional marketing. In doing so they frequently present traditional marketing in an unfavourable light. For example, Adrian Payne (1991) claims that traditional marketing concentrates on product features, has minimal interest in customer service, limited customer contact, and quality is primarily a concern of production. Although there may still be some marketers that think this way, these statements have not reflected marketing best practices for more than three decades (Wikipedia, 2006).

**Discussion and conclusion**

**Drawing tendencies**

Table III compares the transactional and relationship aspects of the case companies and summarizes their characteristics. Table III shows the main marketing characteristics of the five companies. Additionally, it shows their marketing focus orientation. Each case attributing one of the following dominants:

- relationship marketing dominant (indicated by superscript a); and
- transactional marketing dominant (indicated by a superscript b).

**Comments**

- The insurance company. The characteristics that stick out show a customer relationship orientation of the company.

- Even if the main focus is to sell, the company cares about its customers and has a real willingness to create long-term relationships. However they miss regular customer contacts and are hence not completely relationships driven. (This is relationship marketing dominant.)

- Hotel guide. Even though they work in the service business they still seem to have a short-term prospective not obtaining many of customer contacts since they work only over the internet. Their goal is customer retention but they do not seem to make a lot of efforts to make that happen. They use their monopolistic position to get customers but do not have real strategies to retain them (This is transactional marketing dominant.)

- Turku Hostel. Although this company tries to emphasize on relationships aspects (loyalty discount card), they are still focused very much on transactions, not following up the customers’ satisfaction. They claim that relationships are important for them but actually do not do make any effort towards that (This is transactional marketing dominant.)

- Place. The attitude of this hair dresser sounds actually quite unusual for a hair dresser: since his brand is very famous, he does not put much effort into relationships knowing that he will get customers anyway. He focuses mainly on the present and has a short-term business perspective. His main goal is to make profit in creating original cuts that will make his brand even stronger (This is transactional marketing dominant.)

- McDonald’s. Even though the manager of McDonald’s would like to put more efforts to build relationships with his customers, he recognized that it is almost impossible because the service should be quick to serve as many customers as possible. In these conditions, serving over one thousand customers a day, it is pretty difficult to have the time and the energy to build ties which all of them. The focus is of course completely on the daily short-term transaction. (This is transactional marketing dominant.)

In short, above-mentioned conclusion means that: “The more things change, the more they stay the same”.

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**Table II Communication mix**

<table>
<thead>
<tr>
<th>Personal communication</th>
<th>Advertisement</th>
<th>Publicity and PR</th>
<th>Sales promotion</th>
<th>Instructional materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance company</td>
<td>Representatives&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Advertisements in newspaper, radio commercials&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Sponsorships&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Web site&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Hotel guide</td>
<td>Personal networking and telemarketing&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Television and radio commercials, direct mail&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Direct relation with the tourism information centre&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Web site&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Turku Hostel</td>
<td>Word of mouth&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Appearance in some tourist travelling guide and tourist information&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Sponsoring activities, fashion show, hairdresser contests&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Web site&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Place</td>
<td>Word of mouth&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Advertisements in newspaper&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Considerable sponsorship activities&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Web site&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>Word of mouth&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Radio commercials, print and advertisements in newspaper&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Special offers&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Web site&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**Notes:**

<sup>a</sup> Relationship marketing dominant; <sup>b</sup> Transactional marketing dominant
Conclusion/management implications

The cases provided in this article are examples of the systematic use of the “soft” tacit knowledge and experience of product managers and management. If we compare the cases with each other the results can be seen in Table IV.

The cases are examples of building long-term relations with focused customer segments, although not individual customers, by having a long-term value delivering focus. The perspective is clearly transactional without having the often-ascribed negative characteristics of the transactional approach.

Indeed, TM sounds thriving despite of the growing trend toward relationship marketing. Most of the industry experts now swear that transactional marketing will always be a key element of corporate strategy, even if it is not highlighted enough.

We argue in these paper that the modern relationship movement leads organizations back to the pre-twentieth century with the global scale of the twenty-first century through the 1960s (i.e. the Borden and Borden’s 12Ps and then Kotler’s 4Ps). Relationship marketing is not a new discovery, but re-discovery. The lack evident in the approach is not in the 4 or 12Ps. If we only pay considerable attention to the four generic categories rather than undertake a full analysis of their sub-activities, components, and the related inter-relationships between the elements, they will of course argue that the marketing mix approach does not capture the full extent and complexity of marketing, nor does it explicitly recognize the essence of relationships between a firm and a customer or any other partner. If one focuses one’s attention and undertakes a full analysis of the abovementioned elements, one can find many relationships involved in them. Each of the 4Ps is a collection of sub-activities and has the potential to stimulate and create relationships with customers as well as with suppliers and dealers, etc.

Finally, the conclusion we draw about our research question is that the paradigm-shift is far from being dominant in all Scandinavia since traditional “Kotlersim” concept of the 4Ps is still dominating, even so, relationship concept is utilized to some extent. In short, there is no evidence that relationship marketing is a paradigm shift. However, the challenge of relationship marketing is to recognize the subtle changes in the business environment and to adapt to them.

References


Table III The myth of RM and the truth of the TM

<table>
<thead>
<tr>
<th>Focus</th>
<th>Time perspective</th>
<th>Customer services emphasis</th>
<th>Customer commitment</th>
<th>Customer contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance company</td>
<td>Long-term</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Hotel guide</td>
<td>Short-term</td>
<td>Medium</td>
<td>Limited</td>
<td>Moderate</td>
</tr>
<tr>
<td>Turku Hostel</td>
<td>Long-term</td>
<td>Medium</td>
<td>Limited</td>
<td>Low</td>
</tr>
<tr>
<td>Hairdresser</td>
<td>Short-term</td>
<td>Low</td>
<td>Limited</td>
<td>Low</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>Short-term</td>
<td>Medium</td>
<td>Limited</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Notes: a Relationship marketing dominant; b Transactional marketing dominant

Table IV

<table>
<thead>
<tr>
<th>Focus</th>
<th>Time perspective</th>
<th>Customer services emphasis</th>
<th>Customer commitment</th>
<th>Customer contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention by developing revising and developing new products</td>
<td>Customer value by product features</td>
<td>Long-term</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>


Kotler and Borden are not dead

Mosad Zineldin and Sarah Philipson


Further reading


About the authors

Mosad Zineldin is Professor of Strategic Management and Marketing, and has served as a Chairman of the Marketing Department at the School of Management and Economics, Växjö University, Sweden. He taught at the School of Business, Stockholm University for many years. His mother country is Egypt and he has lived in Sweden for more than 20 years. The author is also engaged in a considerable number of research and consulting activities. He has participated in different international conferences as a presenter and a keynote speaker. Dr. Zineldin has written several books and numerous articles. His latest book TRM “Total Relationship Management,” 2000 is the first book in the world to outline the
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Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.

Relationship and transactional marketing

It is conventional practice to regard relationship marketing (RM) and transactional marketing (TM) as distinctly separate entities. Fundamentally, the goal of RM is to build and sustain lasting connections with clients, while TM prioritizes the current sale and reaping more immediate rewards.

Many commentators consider repeat business as crucial to any organization and that developing long-term customer relations is essential for business success. RM requires strong personal relations, interaction and social exchange in order to succeed. The longer-term focus aids development in that it enables marketing to become cross-functional in nature so that greater coordination becomes the norm. Ensuring that marketing activities envelop the whole organization rather than being confined to individual functions or processes is regarded as key to improving performance and customer satisfaction levels.

But it is acknowledged that a lasting relationship is not for everyone. Some customers prefer to adopt a short-term perspective and relish the freedom to shop around different suppliers as part of a focus on cost management. There is also the role of new technology to consider because its impact can lead to a concentration on the product itself to the exclusion of almost all other factors.

TM is a more traditional approach to marketing founded on product, price, promotion and place. Critics claim that this approach does not address the complexities inherent within marketing and the people and processes involved. Others regard the so-called 4Ps as a simplification of the “marketing mix” theory and some have actually extended the number of Ps to better illustrate how each function incorporates various sub activities that can relate more to RM.

A complementary approach

As a result, there is growing conviction that a good deal of compatibility exists between these two supposedly different marketing concepts. Some researchers now believe that RM and TM actually complement each other. For instance, organizations might want to build relations with clients but some argue that this can only happen if the product, price, promotion, place or other elements are right. On the other hand, a close relationship can help any company to better understand what the customer wants in respect of such issues.

However, this has not prevented a growing belief in RM’s importance during the last decade or so. Observers claim that this has inspired a shift away from TM but studies in New Zealand have not supported this claim. Many organizations in the country still favor TM, although some use RM too.

In view of this, Zineldin and Philipson carry out an investigation in Scandinavia to determine whether RM has been adopted or if TM is still the preferred marketing strategy of organizations in the region.

The investigation incorporates a survey of five companies based in Sweden, Finland or Denmark. Semi-structured interviews were conducted with management representatives in order to analyze the current marketing practices in each company and to assess the implementation levels of RM and TM.

Findings showed that most of the companies still use TM for their business and marketing activities. The interviews revealed that the main priority of the organizations was generally to profit through transaction and a strong belief that this should be the central focus even in the presence of any desire to develop and sustain relations with a client. Findings also supported earlier claims that building such relationships demands transactional competence.

Communication and context

The authors point out that communication procedures help reveal the marketing type employed. Personal communication is a fundamental part of RM, while communication within TM is of a more impersonal nature. Dialogue is regarded as a key feature of personal communication that serves to make each customer feel special and unique. In contrast, impersonal communication is usually one way and addresses larger groups rather than the individual. In the present study, organizations mainly focused on impersonal contact via radio and television broadcasts and newspaper advertising. Personal communication was evident on a much lower scale.

Previous research had likewise noted the importance of context in determining the choice of marketing approach. This was again evident here. Some companies would like to build closer relations with their customers but time constraints and other issues make it impractical if not impossible. McDonald’s, for example, serve such a large number of customers that it is much more feasible to focus on product, price and swift service.

Analysts have pointed out that customer retention strategies can bring cost advantages. However, the priorities of organizations in this study largely rest with improving
transactional efficiency. Some belief that courting loyalty requires time, effort and specialist knowledge, while there is also a perception that long standing customers exploit their position by becoming more and more demanding as their needs change.

Zineldin and Philipson conclude that there is little evidence to support the notion that a paradigm shift is actually occurring in Scandinavia. Although organizations listen to their clients, customize products and display other characteristics of RM, they do not have specific RM strategies. The authors point out the only exception here may be the insurance company, where customer retention is a key objective in every encounter.

Despite the presence of RM factors, low direct emphasis on the customer indicates that the transactional approach remains dominant within these case organizations. Critics claim that a limitation of TM is its failure to overtly acknowledge company-client relations. However, the authors point out that a proper analysis of each of the 4Ps is needed to understand the sub-activities contained behind that in part can function to develop and sustain relationships with customers and other stakeholders alike.

(A précis of the article “Kotler and Borden are not dead: myth of relationship marketing and the truth of the 4Ps”. Supplied by Marketing Consultants for Emerald.)