

Relationship Marketing Theory Revisited: One Decade Later

Abstract

This paper aims to extend the previous dominant relationship marketing theory. Our extension is based on one thought on the relationship marketing theory. We revisit some previous important findings and add some modifications to them by employing several new related theories, such as network theory.

Moller and Halinen (2000) discussed the multidimensional aspects of relationship marketing theory. They pointed out that, "it is misleading to talk about a single 'Relationship Marketing Theory'", and distinguished two basic types of it. In their creation of these two basic theories they focused on the relational complexity and the context of exchanges. By analyzing research tradition they asserted, "complex exchange relationships generally take place in a network context, whereas less complex relationships are characterized by a market-like exchange context".

Our study focuses on constructing a relationship marketing theory. There are two main sections. One is that we will point out how we may grasp more elaborate aspects of relationship marketing through the extension of Moller and Halinen's model. Specifically, our study will take place as follows. We'll define their two factors as two independent dimensions, respectively. Then we'll develop a conceptual model which describes aspects of relationship marketing by applying relationship exclusiveness to the former and network density to the latter. Lastly we'll develop an analytical framework with a two by two matrix, for classifying the relationship marketing phenomena more deliberately.

Keywords: Relationship marketing theory, Extension, Network theory

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Work in progress

INTRODUCTION

In this paper, we try to extend relationship marketing theory. From our point of view, it was first established at the turn of the century. Before that, there were several theories in terms of relationship marketing phenomena. We focus on one excellent paper by Moller and Halinen's (2000). Based on their finding, we revisit some previous important findings and add some modifications to them by employing several new related theories, such as network theory.

One remarkable paper on relationship marketing theory was published; Moller and Halinen (2000). They had some worries about relationship marketing theory. The main anxiety was that relationship marketing had been talked about under several meanings. The authors distinguished at least four major themes in past relationship marketing studies; service marketing, B2B marketing, IT and database marketing, and customer relationship management (CRM).

These themes represented prosperity in studying relationship marketing. Relationship marketing had sometimes been regarded as a completely new marketing theory, and that it could replace the traditional marketing-management school. Opposite to these trends, they were convinced that relationship marketing theory might have at least a few fundamental disciplined theories. However according to their understanding these studies had been developed with their own theoretical roots, not a fundamental unified small number of disciplines.

The First Relationship Marketing Theory

Here we are going to summarize Moller and Halinen's (2000) work briefly. This task may help to reveal our understanding about the importance of their work. We will point to mainly three achievements out of their contributions. The first one was that they tried to analyze the root of relationship marketing theory traditions metatheoretically. They found that the above four themes had their own disciplines, but researchers sometimes regarded them as alternatives, or even complementary. Second, they tried to revisit these theories conceptually, and they derived theoretical dimensions from conceptual analysis. Lastly and most important, was to develop theoretical dimensions based on these theoretical dimensions.

From the work above, Moller and Halinen (2000) pointed out that buyer-seller relationships, including exchange context as well, could be described by two main dimensions; relational complexity and relationship context. The relational complexity was characterized by four factors as follows, number of actors involved in exchanges, interdependencies of actors, intensity and nature of interaction, and the potential temporal contingencies of relationship. Exchange contexts could be divided in two; market-based relationship and network-based relationship (Moller and Halinen, 2000, p.43).

Moller and Halinen (2000) could distinguish a market-based relationship from a

network-based relationship by assuming that the differences in their exchange relationship and exchange context enclosed buyer-seller relationships. However, they then thought that it was possible to understand these two relationship marketing theories as one united dimension because they were correlated. Yet, exchange relation and the context are conceptually different.

So in this paper, we will propose a new framework to organize various aspects of relationship marketing by describing both market-based and network-based relationships with two-dimensions of relationship and the context. To achieve our purpose, this paper shall be constructed as follows. In the next section, we will try to re-conceptualize relationship marketing theory. Then, we are going to introduce some concepts we will employ in our framework. In the last section, we will summarize our proposal and suggest some future research themes.

RECONCEPTUALIZATION OF RELATIONSHIP MARKETING

In this section, we will try to re-conceptualize relationship marketing theory based on Moller and Halinen's (2000) work. First, we will revisit their model, and add some new concepts which have been the predominant theories in the relationship marketing theme after 2000. Second, we will introduce our interpretation of their model and explain our new concepts.

Dimensions of Relationship Marketing

Firstly we interpret Moller and Halinen's work. According to our perspective, their model can be described as two dimensional matrixes. Moller and Halinen (2000) proposed the concept of "relational complexity" to discriminate those two relationship marketing theories. Their explanation can be articulated further using new knowledge after 2000. We can interpret their model as follows.

In regards to network-based relationship marketing, it has these three characters; 1) there are few potential partners to exchange, 2) the present exchange relationship is formed based on transactions so far and there is high mutual dependency, and 3) In addition, there are mutual learning or investment for fixed partners, which would make it difficult to switch their partners.

We can interpret these features as follows; 1) small number of combinations, 2) integrality of unity, and 3) sunk resources.

Firstly, a few combinations mean that there are a few potential partners to exchange. The few combinations take place due to the scarcity of complimentary resources. In the market, there are few partners who have complementary resources. Integrality of unity means the relationship is characterized by those two points, (a) there are no strict rules or procedures which are stipulated in advance between buyers and sellers, and usually transacted flexibly

(e.g. rules of unity are unformulated), and (b) if present partners leave, there is a negative effect on its activities because there are no substitutes (this is referred to as functional mutual dependency by c.f. Aoki and Ando 2002; Baldwin and Clark 2000; Clark and Fujimoto, 1990; Ulrich, 1995).

Sunk resources directly means default of investments. This default stems from if the present relationship terminates, both buyer and seller would lose all resources invested. Such resources as knowledge and abilities are gained through mutual learning or relation specific investment usually become useless outside of the relation, so they might be called highly sunk resources.

As we revisited Moller and Halinen’s work, relational complexity can be described as having three elements as follows; small number of combinations, integrality of unity and sunk resources (Figure 1).

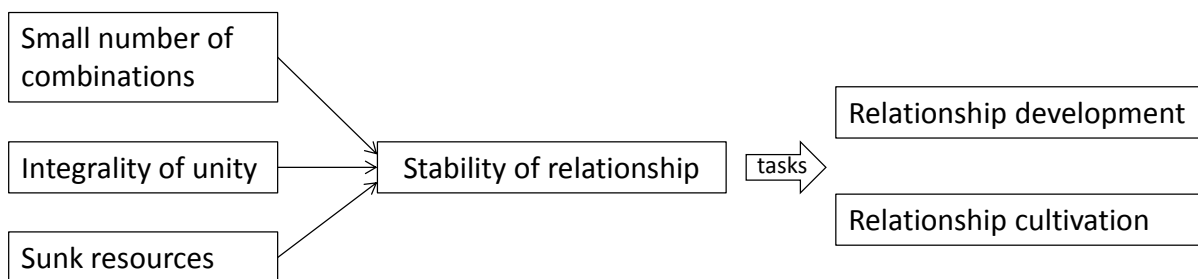


Figure 1 Structure of Relational Complexity and Tasks of Relationship Marketing

Those three elements which compose the complexity of relationships have a nature to fix relationships. Namely, the higher the complexity of the relationship, the more fixed the relationship. When the relation is fixed, relationship management will become the main issue. In contrast, when the relationship is selective, developing the relationship will be the main issue of relationship marketing (Arndt, 1979; Berry, 1983).

So from those studies, it can be said that the issue of relationship marketing would strongly be related with the degree of the complexity of relationships. That is to say, when the complexity is high, the relation tends to be fixed, so relationship management will be an important issue which avoids conflicts and maintains amicable relations. On the contrary, when the complexity is low relationships tend to be selective. So developing relationships and with whom to cultivate or deepen relationships would be important. Figure 1 shows the next research agenda as well.

To sum up on these points of view, for exchange relationships to discriminate relationship marketing, the stability of the relationship must be more appropriate than relational complexity.

Relationship Context and Network Density

Now we consider about exchange relationship context. Moller and Halinen (2000) classified the context surrounding exchange relationship into these two: market-oriented context and network-oriented context. They arranged several features of each, but they did not indicate the fundamental dimensions and criteria to distinguish both orientations.

In this section, we employ a concept of network density. It is an appropriate scale to show how a context is network-oriented, or not (Kubota, 2008; Kubota and Haga, 2008). Network density is a concept in social network research, and it shows the density of the relationship of the actors respectively in the network (Burt, 1992).

Network density is to be surveyed by a ration of the possible number at most and the real number of the relationship. Putting N as the number of agents which compose a certain network, the possible number of relations is $N(N-1)/2$ at most. So putting L as the real number of the relation, it could be obtained by the expression below:

$$\text{Network density} = L/N(N-1)/2$$

From the perspective of marketing activities, relationships such as manufacturer and wholesaler, wholesaler and retailer, or retailer and consumers, it is often assumed that there are many buyers to one seller. In other words, relatively many relationships are assumed as a one-to-many structure. They could be described as a broom-shaped network.

Using the expression above, taking the broom-shaped network as a starting point, the network density increases when the number of relationships (L) is increasing. On the other hand the density decreases when the number of actors (N) is increasing. In short, there are two factors to decrease (N) and increase (L) to make a broom-shaped network high density. Now, we describe the above network theory under the marketing exchange context, the less the number of buyers to a seller or the more the direct relationships between buyers respectively, the network density is higher.

Then, we consider how network density affects the actors in the exchange relationships. In a high density network, there are several paths to the actors, so they encounter similar information from several paths. As a consequence, information redundancy could be higher there. The actors in high density networks are linked tightly with each other through direct relations. Furthermore, actors shall have uniformed values and tend to act similarly. On the contrary, actors in low density networks, they have various values and tend to act highly individually and selfishly (Yasuda, 1997).

In addition, in high density networks, actors can watch each other, so mutual-monitoring can be easier. Those close relations could make it easier to impose some sanctions on deviant actions from the norm of conduct. Information resources, such as reputation, are going to spread rapidly, so the tendency to act carefully about the surrounding actors would be increased. Therefore the actors in high density networks would be more conscious about

monitoring, sanctions and reputations (Rowley, Behrens, and Krackhardt, 2000; Kubota, 2009).

Marketing Activities in High Density Networks

In sum, if the network density is high, information redundancy would also be high and similar values or acts tend to stand out and the possibility of monitoring and sanctions would be high. Under this condition, marketing activities may differ from contrasted conditions. There are three important points for marketing activity in a high-density network.

Firstly, it is important to pay attention to third parties because they have possibilities to be heavily affected by other relations surrounding the relation. Secondly, it is also important to pay attention to their own position (or roles) in the network because the result would differ if they make the same actions in different positions. This attention can be the same, derived from structural network theory. This attention is as follows; what number of actors have direct relations (network degree issue); whether they are in the center or on the frontier in the network (network centrality issue); if there are some in similar positions or not (Structural Equivalent issue); and who is the mediator among different cliques (Structural hole issue) would be the agenda. Thirdly, we should also pay attention to the whole network structure. That is because the effectiveness or the efficiency of resource distribution in the network would differ greatly, and this might affect their performance.

In sum, to do marketing activities within a high density network, they should formulate a plan keeping in mind the third parties' effects. It is also necessary to take care of the management of one's own position (or rules) or to the management of the whole structure. On the contrary, when the network density is low, the effect from existing surrounding relations is relatively weak and at the level which we could ignore, so the necessity is low. Those discussions could be summarized as in Figure 2.

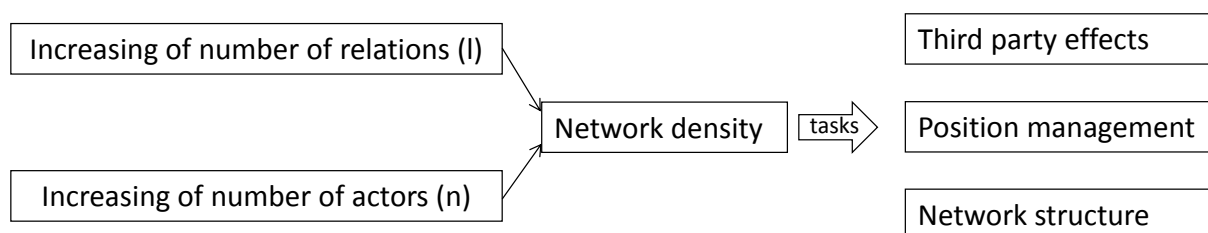


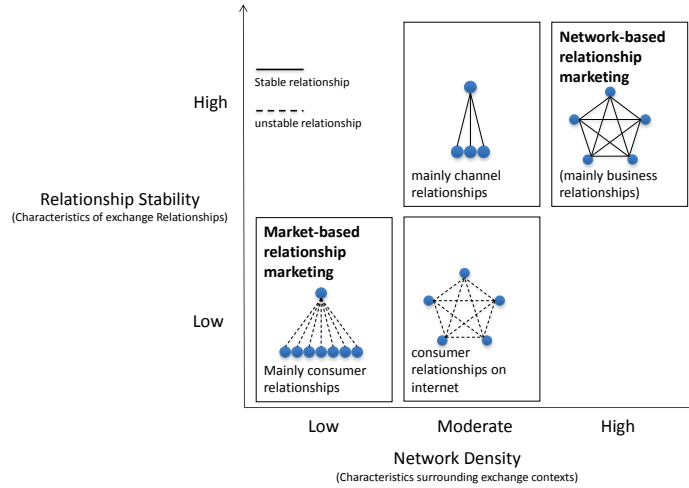
Figure 2 Network Density and Marketing Relationship Tasks

DEVELOPMENT OF NEW ANALYTICAL FRAMEWORK

So far, we have derived two dimensions from previous studies, namely the exchange relationship and the context surrounding exchange relationship. In the former, we distinguished relationship stability as the measure, and network density from the latter as the

measure as well. The two dimensions above can organize Figure 3. We will set this figure as a new analytical framework for various phases of relationship marketing. We explain the contents in this framework below.

Figure 3 Analytical Framework of Relationship Marketing



Relationship Stability

Compared to consumer relationship, in relationships among organizations (either business relationships or channel relationships), they have two different characteristics. One is depicting the number of potential exchange partners. As we easily realize it is fewer than consumer relationships. Second is the duration of the exchange relationship. Once an exchange relationship is made, the relationship sometimes co-evolves. As a consequence, an organizational relationship could be more stable than a consumer relationship. The reasons are as follows.

Firstly, co-evolution often occurred in business relationships. Co-evolution is defined as mutual evolution influence between two species in biology. In a business sense it occurs when resources, which each party retains, first unite systematically through interactions and are embedded in each operation. Thus they evolve and develop to be able to cope with features and requests respectively (Ford et al., 2002). Secondly, since resources formed through co-evolution are often relation-specific investments, sunk resources could be higher. Moreover, organizational relationships tend to be highly relation-fixed because of the scarcity of potential exchange partners or the combination.

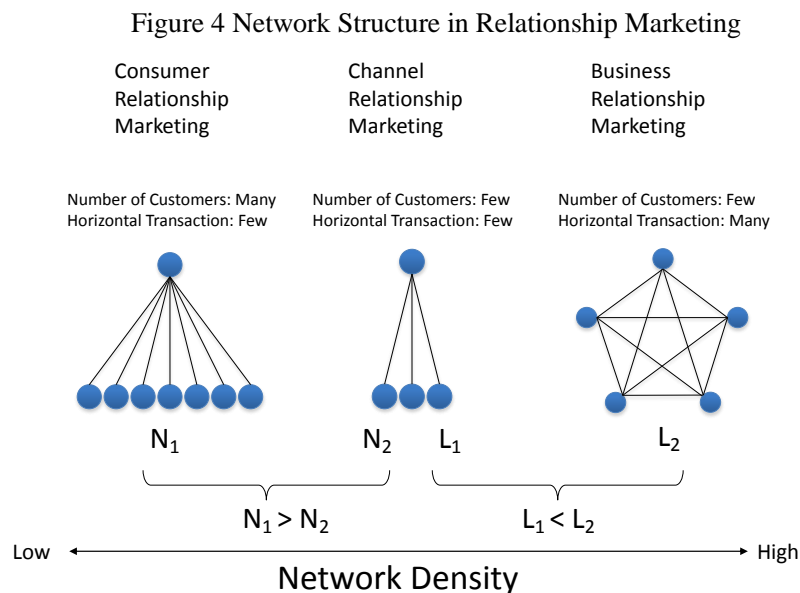
Network Density

Originating from the broom-shaped network, which is often seen in marketing exchanges, as the number of buyers to a seller decreases or the more direct relationship between buyers, the network density would be high. Figure 4 indicates this by conforming consumer relationship networks, channel relationship networks and the business relationship networks.

Firstly, we compare consumer relationship networks (e.g. retailers to consumers) and

channel relationship networks (e.g. manufactures to distributors), the former has fewer buyers to a seller than the latter in general. So we could say that the channel relationship network has a fewer number of actors (N) which compose a network and that the density is higher than consumer relationship networks.

Next, we compare channel relationship networks and business relationship networks. Direct transactions among buyers would more often arise in the business relationship networks than the channel ones. In other words, in business network relationships, there often arise horizontal transactions (Ford et al. 2002). So it is thought that the more number of relations (L) within the network in a business relationship network than in channel relationship network if the numbers of doers (N) is fixed, the density tends to be high as a consequence.



CONCLUSION AND FUTURE RESEARCH

In this paper, we tried to develop a new analytical framework on relationship marketing theory. We revisited some previous important findings and added some modifications to them by employing several new related theories, such as network theory.

Based on Moller and Halinen's work, we deliberately examined their model, and added some new knowledge from network theory. We mainly used these two modifications; first we re-conceptualized their model. Second, we made their elements as an orthogonal relation. As Moller and Halinen (2000) said, "it is misleading to talk about a single 'Relationship Marketing Theory'", we distinguished two dimensions of relationship marketing and plotted some characters in our analytical framework.

Our study focuses on constructing a relationship marketing theory. There are two main sections. One is that we will point out how we may grasp more elaborate aspects of

relationship marketing by the extension of Moller and Halinen's model. Specifically, our study will take place as follows. We'll define their two factors as two independent dimensions, respectively. Then we'll develop a conceptual model which describes aspects of relationship marketing by applying relationship exclusiveness to the former and network density to the latter. Lastly we'll develop an analytical framework with a two by two matrix, for classifying the relationship marketing phenomena more deliberately.

Future Research

From our conclusion, there must be, at least two apparent tasks and one challengeable task. For the first one it shall be an empirical study. We have to show evidence for supporting our hypothetical analytical framework. An empirical study has been, and still is one of the prevailing methods for scientific research. Indeed, we have already made progress on some surveys in consumer relationship marketing. We will try to publish them as a journal paper, or conference paper next time.

In contrast with an empirical study, we need thick knowledge on specific managements for our analytical framework. We will fill the specific management types in these cells with case studies. So case studies must be the second objective.

The last one is somewhat challenging, but important. That is to disseminate our model to worldwide researchers. That ambition has two meanings. Firstly we should go abroad frequently and talk about our model at academic seminars. Secondly is to invite our research group. So we should create our next paper as quickly as we can.

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