Importance of relationship marketing in retail

Relationship Marketing has emerged during the last decade as an alternative to exchange as the foundation of the concept of marketing, stressing the importance of maintaining relationships between buyer and seller in the long term (Arias, 1998). The concept is originally developed in the business market, but since its domain extension to consumer market in recent years, many consumer goods companies increasingly experimented this concept as their marketing strategies. Therefore, to evaluate the current situation of applying relationship marketing in consumer markets from both practitioners and consumer perspectives becomes interesting.

It can be found that although there is a long list of benefits associated with RM has been identified by the academicians, there are still gaps between RM literatures and RM practices. It can be argued that there is little understanding of the actual influences of underpinnings of relationships marketing on relationship quality, customer loyalty and customer satisfaction which developed through the major constructs of relationship marketing such as trust, commitment, and bonds. The outcome of this research hopefully holds significant benefits for marketing researchers and practitioners interested in the subject of customer relationship management and the application of RM in the retail sector through the understanding of its major constructs.

2 The importance of the research

It is no deniable that much of the work and understanding of relationship or relational marketing to date focuses on the Western perspective, and hardly any work has been done in China or any other Asian context. Therefore, the current literature on RM in the Asian retail sector is relatively under-researched.

As one the fastest developing economic giant in recent years, China has received a number of attentions. With the China's successful entry to WTO, a large amount of western governments and institutions claimed that China is a huge potential market in the future and Chinese-based economies may mean big business in the world (Buttery and Leung, 1998). Therefore, many world famous companies entered into China and the competition in various Chinese markets have become even fiercer.

Among the various Chinese consumer goods markets, the continuous growth in Chinese retail market in recent years has attracted the significant attentions by the international retailers. In this way, the competition in this market is exceptional drastically because not only a number of world famous retailers such as Carrefour, Wal-mart to engage in the market, but also there are more than 60 local retail chain enterprises in the market. In order to maintain and strengthen the competitiveness, increasing interest has been shown by Chinese retailers in planning to implement new business strategy, such as relationship marketing. The aim of this study is to analyze the current situation of RM implementation in Chinese retail market. In particular, it investigates the major constructs: trust, commitment, bond and CRM element of relationship marketing in building long-term relationships between retailers and the customers. Since the research is based on China, differences in culture and social systems have also been taken into account, this may provide new insight in understanding RM implementation in the research field.

3. Research objectives

In order to get a better understanding of RM in Chinese retail context, this research

mainly focuses on three research questions:

- How FMCG retailers in China proceed the RM in order to develop, maintain, and enhance relationships?

- What factors play the most important role in the formation and development of relationships in the FMCG retailing markets.

- How culture aspects influence the understanding of the subject and the practice of RM between Chinese and Foreign retailers.

4. Method of analysis

The philosophy of this research design is a phenomenological paradigm. With regard to the research methodology, qualitative research is more proper than quantitative research for this study, as the qualitative research involves looking beyond categorization and attempting to discover irregularities in data by comprehending the meaning of text or action (Saunders et al, 2003).

Relationship Marketing (RM) has been regarded as emerging marketing paradigm over the last few decades. It has been believed by many academics and practitioners that companies could achieve success in a long run by maintaining relationship with their customers and business associates. The purpose of this chapter is to review the current literatures in order to get an insight of the notion of RM.

Five principal divisions will be included in this review. The first division highlights findings regarding the development of RM and its major constructs; the second division discusses the findings regarding RM in consumer market and customer relationship management; the third one considers findings of the relationship between loyalty schemes and relationship marketing; the fourth one describes the findings on RM in retailing sector; and the last one briefly reviews the various criticisms from different perspectives against RM. The RM with loyalty schemes and RM in retail market will be discussed in more detail in this chapter as they have illuminated and inspired the focus of this research project.

5. Literature view

The Development of Relationship Marketing

RM, as a new marketing paradigm, attracted most interests from both business and academics worlds in the past decade. Egan (2004) has suggested that such " dramatic growth interests in relationship marketing has been strongly associated with the perceived crises in marketing that took place during the later part of the 20th century " (p. 9). Therefore, to get a full picture of the background leading to the development of

RM, a brief review at the history and perceived weaknesses of traditional marketing

may be appropriate.

In 1912, Dr. Hagartgt from Harward Business School published the first textbook named , it has been regarded as an important milestone of marketing as an independent subject spinning out from economics. The corporate manufactures and brand marketing concepts claimed in this book dominated the marketing agenda until

1950s (Christopher et al., 1991, p. 8) , when was widely regarded as the era of mass-marketing. The publication of “ Marketing Myopia” (Levitt, 1960) afterwards has driven the market-oriented concept clearer. In 1978, “ 4Ps of marketing” has been developed by McCarthy from Borden (1964)’s 12 elements marketing model. This paradigm has been later referred as “ Marketing Mix” and became the dominant marketing thought for more than three decades.

However, a number of scholars pointed out that, with the increase of global competition and rapidly change of customer’s buying patterns (Buttle, 1996), marketing was no longer simply about developing, selling and delivering products, and was progressively more concerned with the development and maintenance of mutually satisfying long-term relationships with customers. (Berry, 1983; Gronroos,

1994; Buttle, 1996; Gummesson, 1999; Sheth and Pavatiyar, 2000; O’Malley, 2003). The traditional marketing process, which involves a single and short time exchange with a distinct beginning and ending characterized by a narrow focus and very little communication between the exchange parties, has been claimed not enough to cope with such fundamental changes taking place in the markets (Zineldin et al., 1997). Under such an environment, RM was emerged as the new marketing practice to complement the traditional marketing mix. It has been advocated by a number of scholars (Gummesson, 1999; Gronroos, 1994; Varey, 2002 ; Moller, 1992), who suggested that such marketing paradigm can not only overcome the limitation of the traditional marketing approach but also can be seen as a potent strategy to provide organizations with the competitive edge in the changeable market environment.

Instead of the narrow traditional view of marketing, marketing is now increasingly seen as being concerned with relationships. Whilst some relationships are not involved in any social relationship or interaction, and others may be involved in many interactions between customers and employees and evolve over long periods of time. As claimed by Levitt (1983), RM is an approach which emphasizes the continuing relationships that exist between the organization and its customers, and the importance of customer service quality and developing a series of transactions with customers. Berry (1983) introduced a concept of RM as a description of a longer-term approach to marketing. The author suggested that RM is applicable when there is an ongoing and periodic desire for the service and when the customer has alternative to choose and controls the selection of a service supplier. According to Gronroos's definition of RM (Gronroos, 1989; 1990), marketing is a process including several parties or actors, the objectives of all the parties have to be met. The emphasis on identifying and nurture mutually satisfying long-term relationship with different parties (i. e: customers) is the main goal of RM. All the authors described RM by emphasizing on the term " close and long term relationship" and argued that, if this could be achieved, the business could gain more competitive advantage and high profits.

The Concept of Relationship Marketing

“ Despite considerable interests of academic researcher and practitioner, relationship marketing still is regarded more as a general ‘ umbrella philosophy’ with numerous relational variations rather than as a wholly unified concept with strongly developed objectives and strategies” (Egan, 2004, p. 19). As mentioned by Dann and Dann (2001, P. 347), there were nearly 50 definitions of RM on the subject published so far. These definitions had been used to reflect a variety of themes and perspectives. Some people view RM as all types of internal and external relationships of organizations, while others think that RM is solely focusing on external customer relationships (Parvatiyar and Sheth, 2000)”.

According to Gummesson (1994), “ relationships are after all ‘ fuzzy’ entities with ‘ fuzzy’ borders and have many overlapping properties, so no purist definition of RM is possible or even practical” (p. 18). This view was supported by Moller and Halinen who also claimed that, due to various business conditions and challenges, relationships in market need to be managed by using different types of analytical tools. Therefore they do not expect to see any unification into a “ general theory of relationship marketing” (2000, p. 44).

Brodie et al (1997) suggested that the concept of RM is emerged from a number of streams of RM research. However, according to Gummesson (1997), there are two major theoretical streams of RM. The Nordic School of services focused on “ service marketing” which appeared in the late 1970s in response to perceived shortcomings in the transactional approach to marketing. The researchers and practitioners have developed the concept of services as a means of improving the quality of the relationship, stimulating customer loyalty, and extending the customer life-cycle.

(Berry and Parasuraman, 1993). Another stream is the “ network approach” to “ industrial marketing” developed by the international marketing and purchasing group (IMP) who focused on the understanding of organizational relationships in business-to-business markets (Hakansson, 1982). At the same times as the Nordic School, IMP group studied the interaction between companies on the basis that transactions are not isolated events but part of a continual stream of engagement (Gummesson, 1987). Meantime, the scholars attempted to elicit an integrated definition, but unfortunately, as the researches had conducted in different market context, definitions of RM were produced with different emphasis.

For example, Berry (1983, p. 25), who was also the first person to introduce the term

“ Relationship Marketing” as a modern concept of marketing, defined the term as:

Attracting, maintaining and enhancing customer relationships.

This viewpoint emphasized that the “ relationship view of marketing” implied that retention and development were as equal important as or perhaps even more important than customer acquisition to a company in long term, and they need to communicate in different ways with customers depending on their status and worth.

However, as Berry’s definition has been argued that focused wholly on the supplier-customer relationships and “ ignored other relationships, networks and interactions a company undertakes as part of its commercial dealings (Gummesson (1999, P. 1),” RM has been refined in 1994 by Gronroos’ (P. 9). He described the objectives of RM as:

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

6. Data Collection

As Yin (2003) noted, evidence for case studies may come from six sources: documents, archival records, interviews, direct observations, participant-observation, and physical artifacts. Yin (2003) argues that among these sources, there is no single source has a complete advantage over all the others; in fact, the various sources are highly complementary. He assisted that a good case study should use multiple sources of evidences, by doing this, the researchers can view the case study from its many facets and “ address a broader range of historical, attitudinal, and observation issues

(Yin, 2003, p. 98).”

On the other hand, it has been argued the use of multiple sources brings a great burden. For example, the collection of data from multiple sources is more expensive than if data were only collected from a single source (Denzin, 1971). And more importantly, adopted multiple sources of evidence require the researchers to handle the full variety of data collection techniques. If any of the techniques are used improperly, the opportunity to address a broader array of issues or to establish converging lines of inquiry may be lost. Also, potential problems of construct validity may appear because the multiple sources of evidence essentially provide multiple measures of the same phenomenon.

Primary Data

According to Gemmy (1999), primary data collection is necessary when researchers are interested in demographic and socioeconomic characteristics, attitudes, opinions intentions, motivation, and behavior. In this research, primary data is intensively collected to fill the information gaps which have been described above. For the purpose of collecting primary data, the type of qualitative method that has been chosen is “ semi-structured interviews.”

Semi-structured Interviews

It has been argued that most case studies are about human affairs; the interviews allow these human affairs to be reported and interpreted through the eyes of specific interviewees and provide important insights into a certain situation. Therefore, interviews are regarded as an essential source of case study evidence in the qualitative research (Yin, 2003). Besides, interviews have been further identified not only act as neutral tools of data gathering but also active conversation development for two or more.

Secondary Data

By collecting the secondary data, researchers can get the general idea of the research field; therefore, secondary data is a helpful source of information

(Yin, 2003). In this case, the information on the overall environment of retail market in China, and background information of the research supermarket has been collected through secondary data. Such information enable the researcher insightfully interpreted the primary data that will be discussed later on.

3. 6. 1. 1 Documentations

Documents play an explicit role in any data collection of case studies. As Yin (2003) claims, " the most important use of document is to corroborate and augment evidence from other sources (p. 87)." He argues that firstly, documents are helpful in verifying the correct spellings and titles or names of organizations that might have been mentioned in an interview. Secondly, documents can provide other specific details to corroborate information from other sources. Thirdly, the researchers can make inferences from documents, hence, induce further investigations.

4. Interview Process

Method of data analysis

After the data is collected, the researchers have to interpret these data to answer the stated research questions (Cateora and Ghauri, 2000; Robson, 1993). According to Yin (2003), case study analysis is the most difficult stage of doing case studies, and novice investigators are especially likely to have a troublesome experience at this stage. He further argues that in order to reduce such difficulties in analyzing the data, the best preparation for conducting case study analysis is to have a general analytic strategy. Three strategies, which based on the theoretical propositions, rival explanations, and case descriptions have been included in his argument. Among these strategies, case description strategy provides the framework for organizing the case study and helps to identify the appropriate causal links between variables in the research (Yin, 2003). Hence, this strategy will be applied in this case study.

Moreover, Yin (2003) further claims, given a general strategy, five specific analytic techniques can be used effectively to increase the quality of case study analysis. These five analytic techniques are: patter-matching, explanation building, time-series analysis, logic models, and cross-case syntheses. Of these, explanation building is mainly relevant to explanatory case studies and the explanation building process is similar to the process of refining a set of ideas, which involves an iterative mode of examining case study evidence and revised theoretical positions. As this research compares the collected data with information gathered from literature reviews to reflect some theoretically significant proportions, the explanation building techniques is well suited for this study.

However, Yin (2003) warns by adopting explanation building techniques, researchers may slowly begin to drift away from the original topic of interest as the iterative process progresses. So, the researcher of this study will constant refers to the original purpose of the research to avoid this potential problem.