

Relationship Marketing: Literature Review

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Abstract: *This paper aims to shed light on the theoretical understanding of relationship marketing concept and its main components that have a direct or indirect impact on any relational approach. Firstly, we will display various definitions given to Relationship Marketing. Secondly, we will show relational strategies considered as mediating variables in relational exchange. We will focus mainly on the variables of commitment, trust, satisfaction and relationship quality. Finally, we will demonstrate the consequences of these relational mediating variables on future behavior: seller's performance, loyalty, word-of-mouth communication and cooperation, taking into account the importance given to the context of exchange.*

Keywords: Relationship marketing, relational strategies, Relationship marketing variables.

1. Introduction

Relationship marketing has been the subject of several research papers and studies since Berry's article in 1983. Many authors defined relationship marketing in different ways: some consider it as a process [39], [22]. Others agree that relationship marketing is a strategic organization [5] [20]. Sin et al. (2005) [47], they regard it as an organizational value or a philosophy. Lastly [23], [5], [26] state that relationship marketing is a set of interactions and networks. This illustrates the use of various terms by these eminent authors to define relationship marketing. In the literary review, several variables and concepts traditionally used in research in relationship marketing are presented and defined.

We will particularly mention the importance of trust, satisfaction and commitment as mediating variables governing the relationship between the company and its stakeholders. According to [35], the choice of mediating variables or their combinations seem to be at the discretion of the researcher. In fact, for [8], trust is "may be the single most powerful relationship marketing tool available to a services company." [48], considers trust to be the "cornerstone" of long-term relationships. On the other hand, [32], "the commitment of exchange partners is the key to achieving valuable outcomes."

Today, research in relationship marketing encourages analyzing variables of satisfaction, commitment and trust through studying their consequences on the future behaviors, namely, loyalty, positive word-of-mouth activity, cooperation and performance [37]. Taking into account the context of exchange is also an essential component. Researchers recognize several types of exchange, ranging from transaction to relationship [1].

In the case of exchange where the relationship takes the lead and has more value, relational mediating variables have a positive effect on the outcomes. In this paper, we will focus on the concepts of relationship marketing, relational mediating variables and their consequences. We will try to explain the concepts deemed relevant for our research.

2. Relationship Marketing

Several authors tried to define the concept of relationship marketing through different components, concepts or

variables. However, they do not give a standard definition. There exist some similarities which converge, but they are expressed in different ways from one author to another. The concept of relationship marketing was defined by [8], as the attraction, maintenance and development of a relationship with the client. These terms were the most used to define relationship marketing at that time. Berry's (1983) definition served as a basis for several other authors who completed and pursued their research in this approach [8]. In fact, the definitions given by [21], [32], [45], [23], [49], are all inspired by Berry's (1983) [8]. These definitions underscore the fact that exchange relationship should be successfully performed and satisfactory. Moreover, the relationship should create value for both concerned parties through exchange [45], [26]. Other authors focused on the fact that the relationship is not restricted to the relationship between the company and the client, but also concerns the company and all its stakeholders [21], [32] [45], [6]. [23], [5], emphasized that the most complex relationships become a set of interactions and network of relationships. It is vital to strengthen this network of relationships on an ongoing basis where the objectives meet [21], [32], [39], [49], [5], [47].

Several authors have defined relationship marketing in various ways: some consider it as a process [24], [39], [21]. Others agree that relationship marketing is a strategic organization [5]. Some others state that relationship marketing is a set of interactions and networks [23], [45], [5], [26]. Although the term process has been used several times and used a few times in literature, this can be justified by the fact that the majority of researches conducted are based on the definition of Berry (1983) [8]. The latter defines relationship marketing in three steps: attract, maintain and improve. However, this process does not necessarily apply to all customers and in all circumstances. According to Jackson (1985) [27]; Gronroos (1994) [22]; Sheth and Parvatiyar (1995) [45], all consumers do not need to be served or treated the same way. The majority of authors agree that relationship marketing is of a longitudinal nature and relies on a long term perspective. This agreement took place since the appearance of the formal definition of relationship marketing suggested by Berry (1983) [8].

In light with these comments, the following definition of relationship marketing is the one to be used in the framework of this research: *relationship marketing is a strategic process aiming to establish, develop, maintain and strengthen the*

network of relationships with various stakeholders on the basis of strong economic and social standards and the achievement of common objectives.

Obviously, the notion of long term is important in a relational approach, but there exist other variables such as trust, cooperation, commitment, and relationship quality, which also have an essential role to play in the development and maintenance of the relationship.

3. Relationship marketing variables

In the literary review, many variables and concepts traditionally used in research in relationship marketing were presented and defined.

3.1 Commitment

According to relationship literature, commitment is an important and crucial variable, but not exclusive in an exchange relationship for a company desiring to maintain good relationships with its clients for a long term [29], [15], [2], [31], [32], [49], [35]. Morgan and Hunt (1994, p.23) [32], *“the commitment of exchange partners is the key to achieve outcomes of great value.”* Anderson and Weitz (1992); Moorman, Zaltman and Deshpande (1992) and Morgan and Hunt (1994), define commitment as the desire to maintain a valuable relationship. This definition stresses the importance of the value creation in a relational exchange [2], [31], [32]. This will allow the strengthening and encouragement of both the seller and client to maintain the relationship over time, as long as the latter is beneficial and profitable for both parties involved in the exchange.

3.2 Trust

Trust is viewed as a vital factor as important as commitment in relational exchanges [35]. Literature on trust gives a multitude of definitions. Trust is to *“believe in the reliability and integrity of the partner”* [32]. For Gambetta (1988, p.217), to trust implicitly means *“the probability that the other party acts in our favor or at least not in our disfavor and is well mannered enough to agree to commit to a cooperation with it”*. [18].

Trust is also defined by other authors as the client's perception of credibility, integrity and client's goodwill [19], [12]. This means that the seller has the necessary skills to adequately meet the expectations of the client to whom he transmits the reliable and relevant information. The seller will act in the client's interest whatever the situation is. Anderson, Lodish and Weitz (1989) consider trust as a central characteristic of the relationship, in addition to power, goals compatibility and communication [1]. Others regard trust as key determinant of the variable of cooperation and of conflict management between partners [2]. We note that trust is a very important concept in the relation between partners, that Spekman(1988) considers it as *“the cornerstone of a strategic partnership”*[48]. Trust turns out to be a key component in the creation and management of network's relationships [28].

3.3 Satisfaction of the relationship

The third important mediating variable examined in relationship marketing context is satisfaction. The latter has been defined as *“the client's effective and emotional state towards the relationship”* [35]. According to Kotler and al (2006), satisfaction is *“the client's feeling resulting from a comparative judgment of the product's performance and these expectations”* [30]. However, some authors consider that satisfaction is less important than other variables of relationship marketing because it is largely influenced by external factors such as the humor of the respondent at the time of evaluation [41].

3.4 Relationship Quality

Palmatier et al (2007), claim that the choice of mediating variables or their combinations seem to be at the discretion of the researcher [35]. Berry (1996, p.42) asserts that trust *“maybe the single most powerful relationship marketing tool available to a services company.”* Spekman (1988, p.79), considers trust to be the *“cornerstone”* of long-term relationships [48]. On the other hand, according to Morgan and Hunt (1994, p.23), commitment is the *“the commitment of exchange partners is the key to achieving valuable outcomes”* [32]. It is important to note that for some researchers, mediating variables are indicators of a global and multidimensional mediating variable, which is the relationship quality by the levels of trust, commitment and satisfaction of those involved in the relational exchange [11],[4]. It is noteworthy that researches are not unanimous regarding which relational mediating variable or which combination of variables could better identify relational exchange aspects. Today, research in relationship marketing encourages analyzing variables of satisfaction, commitment and trust through studying their consequences on the future behaviors, namely, loyalty, performance, word-of-mouth cooperation and communication.

4. Outcomes of mediating variables on relational approach

4.1 Loyalty

The concept of loyalty is very important and expected when we talk about relationship marketing, except if this concept has been defined and operationalized in several ways. The conceptual definition of loyalty is considered as a deliberate trend pushing the customer to buy a brand. This means that these trends result from the past positive and satisfactory experiences of customers. Fournier and Yao (1997), assert that the notion of loyalty has evolved through three movements: 1) the notion of loyalty is related to the process or repeated purchase, 2) to the measure between attitude and behavior and 3) to the hedonic aspect, the emotive aspect and to cognitive process [17]. A study of Hennig-Thurau et al. (2002) has shown that trust, commitment and satisfaction have a direct or indirect influence on loyalty of clients [25]. This was confirmed by the study conducted by Palmatier et al., (2005), stating that loyalty is largely affected by the key components of relationship marketing [35]. Finally, Reichheld et Teal (1996) said in cited in Bergeron, Ricard et Perrien (2003), that loyal consumers talk positively about their providers to their relatives[44].

4.2 Word-of-Mouth Communication

Word-of-mouth communication has special interest in marketing research. This variable plays an important role in the consumer's decision-making process. Literature shows that Word-of-mouth communication is as important as loyalty. This concept is defined as the probability that a client recommends the company to another client, who would be a potential client, in a positive way [25], [43].

Hennig-Thurau et al. (2002) concluded that the relationship marketing variable which has more influence than Word-of-mouth communication is satisfaction [25]. For Capelli and Sabadie (2007), the more a person has a positive judgment on the quality of service, the more he will be satisfied and willing to pursue the relationship over time and recommend the service provider [10].

Reicheld and Teal (1996) cited in Ricard and Perrien(2003) consider that loyal consumers are those who talk positively about the company to their relatives [44]. That is why Ricard and Perrien (2003) urge the companies to pay a special attention to the notion of clients' loyalty because word-of-mouth is a free and effective publicity [44].

4.3 Cooperation

Cooperation is a variable widely used in relationship marketing research. It is defined as a set of action coordinated and complementary designed between the different partners involved in the relational exchange to achieve common goals [1], [32]. According to the same authors, trust and commitment are essential variables in the history of cooperation. This variable is primarily influenced by the commitment of the partners involved in the relationship, the customer's trust towards the company and the customer satisfaction of relational exchange as a whole. Gilles (1998) claims that cooperative, integrative and inverted ambition of relationship marketing puts into question the transactional approach [34]. This leads to a flagrant ignorance of the interactive process and considers the company and the consumers as passive entities. The latter impact actively and vitally the conception, production and delivery of products [34]. Buckley and Cassan(1988) in Ernez, (2011) think that cooperation is regarded as mutual willingness to establish relational standards enabling the improvement of the welfare of the whole relation [16].

A partner involved in a relational exchange will rather cooperate more with another partner so the relationship lasts over time and be profitable for both parties concerned by the exchange. Cooperation is a dynamic variable that builds up over time [1], [32].

4.4 Performance

Lastly, another outcome, presented in relationship marketing, is the performance of the seller. When we talk about sales volumes and portfolio shares, performance is called objective [35]. According to Palmatier et al. (2005), trust, satisfaction, commitment and relationship quality influence directly or indirectly the performance of the seller [35]. While Reynolds and Beatty (1999) consider that the investment in the relationship has a direct effect on the performance of the

seller [43], other researchers have failed to link between them. This implies that the effect of relationship marketing on seller's performance may depend on the context of the study [11].

5. Mediating Variables

It is noteworthy that there is no agreement on the outcomes obtained pursuant to the adoption of a relationship marketing strategy. Crosby, Evans and Cowles, (1990); Morgan and Hunt (1994), claim that there exists a significant and positive effect on the exchange relationships between the partners [11], [32]. Whereas other researchers have shown that, in the contrary, there is a negative influence on the exchange relationship, but also on the seller's performance. Palmatier et al (2007) says that this can be explained through taking the context of exchange into account [35]. In fact, researchers recognize that there is several type of exchange, ranging from transaction to relationship [1]. In case of an exchange where the relationship takes the lead and has more value, relational mediating variables have a positive effect on the outcomes. When it is about a transaction, the relationship between the seller and the buyer has no significant effect on the outcomes.

Literature enabled us to point out three situations on the basis of which relationships become important for the success of the exchange. Firstly, services are benefits subject to an exchange whose specificities influence the relationship: it is about an intangible, perishable, variable and indivisible character. The notion of tangibility covers two dimensions: a physical dimension (the inability to see and touch the service) and a mental dimension (the difficulty to get an idea and imagine the service) [30]. Clients and sellers are involved in the production and consumption of the service, since the client is present during the production of the service. The interaction between provider and client is a key element of services marketing [50].

Finally, the service is of a variable nature depending on the circumstances foregoing its realization [30]. It is clear that the tangibility of the offer and the interaction between the client and the seller capitalize the notion of trust as long as the assessments are ambiguous [35]. Secondly, the exchange between partners through a distribution channel differs from that of a direct exchange between seller and client. The first type of exchange has a degree of involvement and greater interdependence. It requires, from partners, a coordination and colossal cooperation which reduce opportunistic behavior through strong and lasting relationships [35]. This leads us to say that, in a context of exchange through distribution channel, relational mediating variables have a significant impact on performance with regards to their impact in case of direct exchanges. Thirdly, according to Anderson and Narus (1992), we must distinguish in exchange relationship between consumers' and companies' market, arguing that *"the success of companies in a market depends directly on the network of professional relationships"*[1]. If the company deems the relationship as crucial to win a customer in a company's market, relationships should have a greater impact on the outcome of the exchange in the market of companies than the consumer market.

6. Conclusion

The aim of this paper is to explain the factors of success of relationship marketing and the relationships between relational mediating variables: trust, commitment, satisfaction and relationship quality and their consequences on the relational exchange, namely performance, word-of-mouth communication, loyalty and cooperation. Several conclusions emerge from relationship marketing literature. There is confusion between the components and the consequences of the relational approach. According to some authors, cooperation and satisfaction are considered as consequences of relationship marketing, but these same variables are considered as components of relationship marketing. This causes confusion as far as literature is concerned. This is explained by Palmatier et al (2007) in taking of the context of the exchange into account [35]. In general, the review of literature shows that the effectiveness of relationship marketing efforts depends on the combination of relational mediating variables and exchange context.

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