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Customer-Oriented-Marketing Approaches: Similarities and Divergences

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Abstract

Today, strong competition and offer standardisation are the most common features of any economy. As result, customer relationship has become one of the most important elements of companies' strategies. Unlike the transactional approach, the relational approach emphasises the necessity and continuity of relationship. Therefore, an important theoretical and practical corpus has been devoted to the relationship concept, which has led to the emergence of several approaches in the field of customer-oriented marketing. In fact, relationship marketing, marketing one-to-one and CRM (Customer Relationship Management) are certainly marketing approaches that focus on the customer in order to personalize the relationship and strengthen customer loyalty. However, the academic and managerial literature includes various controversial definitions of these approaches.

The objective of this study is to present a clear and precise conceptual framework for customer-oriented marketing approaches. Firstly, we will focus the passage from transactional marketing to relationship marketing. Secondly, we will explain customer-oriented marketing approaches to achieve with a comparative analysis of these approaches and their classification based by the degree of customer orientation and the use of Information and Communication Technologies.

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Introduction

In the present era of intense competition and demanding customers (Pras, 1997), relationship marketing has grabbed the attention of scholars and practitioners. It had a major impact upon the marketing discipline, triggering a paradigm shift away from transaction-based marketing towards a relationship focus (Webster, 1992). A number of terms describing and insisting on the relationship have evolved, like Relational Marketing (RM) (Dwyer et al 1987), Working Partnerships (Anderson and Narus, 1990), Oriented-Customer-Marketing (Badot, 1997), One-to-One marketing (Peppers and Rogers, 1998), and Customer Relationship Management (CRM). The objective of this paper is to identify and distinguish all these concepts.

The marketing evolution: from exchange to relationship

Marketing thinking and practices are continually evolving. Many new concepts are introduced: individualized marketing, one to one marketing, relational marketing, database marketing, and others. These new terms are grouped and summarized by Boss (1997) under three types: Micro-Marketing, Database-Marketing and Relational-Marketing. They refer to new technologies, new ways of doing things, even to new ways of Marketing thinking (Gabriel, 2001).

The Relational perspective doesn't seem to reject the idea of "Marketing as exchange", but to integrate it into an efficient re-socialized transaction: not only episodic transactions, but a set of transactions recorded within a relationship (Dwyer et al, 1987).

Thus, Dwyer, Schurr and Oh (1987) believe that participants in relationship exchange may derive personal benefits, more satisfaction and social exchanges. Based on Exchange Theory, these researchers proposed a model which

underpins the development of effective relationship between sellers and buyers. Considering the relationship exchange as an interactive process between the two partners, they identify five main phases which are linked chronologically: (1) the awareness, (2) the exploration (attraction, communication, discussion, influence, relational social norms), (3) the expansion (relational satisfaction), (4) commitment (contributions, credibility), and (5) the severance or termination.

To better understand the nature of relational approach, Flambard-Ruaud, (1997) compared the effects of both transactional and relational approach. He explained that prevailing view in the neo-classical paradigm assumes that competition leads to efficiency. For cons, the relational exchange implies that competition is destructive and that mutual cooperation is productive and leads to creation of higher value.

Indeed, relational exchange is a choice to overcome problems of uncertainty and dependency. Then, the idea is to structure properly the relationship by coordinating efforts and creating a community of interests which plays the role of motivator for continuous exchange (Flambard-Ruaud, 1997). By developing a set of activities to maintain interdependent relations over time and involve customer in creating value, the company reduces environment uncertainty (Dubost, 1997).

Relationship marketing as a way of thinking is experiencing a considerable success and development due to environment features and the rapid growth of Information and Communication Technologies. These elements have enabled businesses to migrate from product management to customer management and now to individual customer relationship management (Tsapi, 1999).

After a century of transactional marketing, the concept of relationship is at the heart of current issues of marketing. The relationship is indeed considered as a source of created value, a basis of differentiation and a competitive advantage. This trend continues with the increasing homogenization of products due to widespread accreditation of companies to quality standards (Dampérat, 2006).

According to Arnould and Thompson (2005), two elementary factors characterize the relationship marketing thinking: time perspective of analysis and nature of exchange. Based on the fact that retaining existing consumer is less expensive to conquering new ones, the company must have a long-term vision to anticipate needs and desires of customers. The nature of the exchange distinguishes between the approach focusing solely on the economic dimension (transactional) and the approach studying jointly economic and social dimensions (relational).

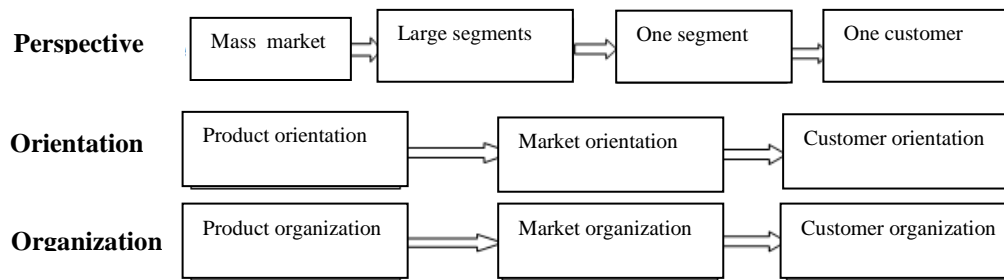
As we reported previously, a profound transformation is taking place in marketing practice and thinking. Technology is the origin of this transformation (Abidi, 2000; Marion, 2000). The combination of computers, databases and networks makes technically feasible and also economically advantageous for companies to establish lasting and personalized relationships with their clients individually. Indeed, in the early 90s, the expansion of Information Technologies was accompanied by the emergence of "new" consumer behaviour and "new" business models. Thus, new marketing concepts such as the "One to One" (Peppers and Rogers, 1997) are emerging to the point that we could consider the possibility of a paradigm shift in marketing.

Furthermore, since year 2000 and with the development of e-business, another concept is emerging and eclipsing the "One to One" concept, at least in terminology: CRM (Customer Relationship Management). CRM reflects the willingness of companies to refocus their activities and strategies around their customers. It can be defined as the optimization and enhancement of each client contact. The aim of CRM, as for relationship marketing, is customer loyalty.

Customer-Oriented-Marketing Approaches: Conceptual Clarification

For the past thirty years, companies are looking for the development of flexibility and expansion. Now, this logic constitutes an overall project for the enterprise (Badot, 1997). Today, the actors change, the competitive environment is constantly evolving a technological breakthrough requires new logic. In this context, customer orientation appears an ideal solution that gives company's coherence and vision.

The customer-oriented marketing (or "customer-centric-marketing") can be defined as: "marketing that focuses on understanding and meeting the needs, desires and resources of individual customers". The analysis unit becomes the individual client, not the market segment or the entire market. In the customer-oriented marketing, marketers treat each customer individually (Sheth and Paravatiyar, 1995; Sheth, Sisodia and Sharma, 2000). Therefore, customer is the center of the new mode of thought that insists on building lasting and cooperative relationships. Individual and customized contacts with the customer have indeed become the norm. So we are witnessing a paradigm change where a transactional marketing, focusing primarily a competitive edge "product" and its positioning, gradually gives way to a customer marketing focused on client relations (cf. Fig 1).

Figure 1: Evolution towards customer-oriented marketing

Source: Sheth, Sisodia and Sharma, (2000)

Following the development and evolution of customer-oriented marketing approach, several concepts appeared, such as relationship marketing, CRM and One to One. However, academic and managerial literature review show that much controversy reigns on the definition of these concepts. Indeed, sometimes they designate, the same thing, sometimes exactly the opposite. Trying to remedy these inconsistencies, we propose, first to define these concepts, and then present a both critical and comparative analysis which enables us to establish the differences and similarities between these concepts.

Relationship Marketing

Under current conditions of trade and market development, lasting relationships with customers is an essential priority (Pras, 1997). The "relationship marketing" becomes an important element of the marketing strategy of any company. This term was first introduced on 1983 by Berry, in the proceedings of the conference on marketing services. It's based on the theory of social exchange developed by Thibault and Kelly (1959), followed by McNeil (1980). These authors are the first to distinguish two forms of exchange: transactional and relational (see Table 1). The first form is transactional in nature. It is a trade-off between two parties. While the second form is relational, this defined as a continuous exchange and interdependence between actors (Damperat, 2005).

In general, relationship marketing can be defined as a policy and set of tools to develop individualized and interactive relationships with customers, in order to create and maintain positive and sustained attitudes against the company and/or the brand (Lendrevie et al., 2006). Thus defined, it highlights the concept of relationship and assumes that beyond the transaction, a privileged and lasting relationship must be built between the company and its customers. This relational orientation is based initially on a criticism of transactional marketing. According to Hakansson (1982), the exchange cannot be reduced to a stimulus-response mechanism to the variables of marketing mix. It is rather an interactive relationship between two active actors. Furthermore, it cannot be reduced to transactional episodes, where partners are not interested in the history of past exchanges. It is rather a long-term relationship. Finally, it cannot be reduced to a transaction between autonomous and anonymous agents. It's rather a transaction in a network of actors. In this sense, Damperat (2005) argues that transactional marketing has failed in its attempt to report and explain successful relational practices. Similarly, Morgan and Hunt (1994) argue that a true theory of marketing must be based on the successful cooperation between trading partners leading to mutual commitment and trust. This view is opposed to the foundations of economic theory considering conflict and power as the two key aspects of the exchange (Williamson, 1975, Bhattacharya et al, 1998).

Table 1: From transactional marketing to relationship marketing

	Transactional Marketing	Relationship Marketing
Temporal perspective	Short term (discrete approach)	Long-term (continuous approach)
Dominant marketing approach	Marketing Mix	Interactive marketing (supported by marketing mix)
Consumer Prices Sensitivity	High sensitivity (comparative approach)	Low sensitivity (market opacities)

Senior Strategic Component Company	Objective dimension (product approach)	Relational dimension (proposed solutions)
Measuring customer satisfaction	Control of market share (indirect approach)	Management of relational databases (direct approach)
Information System customers	Satisfaction surveys (measuring episodic)	Feedback systems in real time (instantaneous)
Interdependence between functions within the company	Partitioning between limited functions and interfaces (vertical organization and hierarchical)	Transversal approach and importance of interfaces (horizontal organization and collaborative)

Source: Adapted from Grönroos (1994)

Relationship Marketing has arisen in the industry where long-term contracts are a common feature of exchange. It has subsequently been implemented to service activities, a sector in which long-term relationships are very beneficial to implement. Today, this concept characterizes the exchange in all fields (Ganesan, 1994; Gronroos, 1994; Gurviez, 1999; Tocquer and Langlois, 1992; Perrien and Ricard, 1995).

Customer Relationship Management: CRM and e-CRM

The exact meaning of CRM is still subject of heavy discussions (Coltman, 2007). Its foundation is generally considered to be Relationship Marketing, defined as marketing activities that attract, maintain, and enhance customer relationships (Berry 1983). Gronroos (1994) argues for the importance of relationships in the marketing context. However, although the terms “CRM” and “relationship marketing” are relatively new, the phenomenon is not (Gummesson, 1994; 2002).

Customer Relationship Management is a part of relationship marketing. It is a strategy oriented towards customer satisfaction and loyalty. It aims to provide a service more responsive to customer needs. Because of its link with the ICT, CRM appears to be relatively young. However, the concept probably dates from the first constitution of the “client file”. What is new are the new opportunities offered by technological innovation and the Internet. Indeed, many acronyms were jostled around the concept that places the customer at the center of company reflection in order to offer products and services more finely adapted to his needs, to reach the extreme step that is the One to One Marketing.

CRM refers to both the process of reorganizing the company around the customer and all the tools that facilitate the implementation of this approach. Thus, CRM is a combination of organizational processes and technologies for understanding customers (who are they? what they do? and what they like?). Marketing science and practice has moved away from simplistic evaluations of investments in CRM technology or systems to consider the role of firms' preexisting capabilities and organizational processes. Crina and Tarasi (2007), present five interrelated organizational processes: making strategic choices that foster organizational learning, creating value for customers and the firm, managing sources of value (acquisition, retention, etc.), investing resources across functions, organizational units, and channels, and globally optimizing product and customer portfolios.

The CRM is to maximize the customer value chain and bring the company to its customers, to initiate, improve and maintain dialogue with the client, to improve sales productivity. It allows the systematic and strategic use of information, accessible to all firm's units, about current and potential customers (Crina and Tarasi, 2007). As for Relationship Marketing, CRM focuses on customer retention and hence loyalty.

The successful implementation of CRM requires an agreement between marketing and IT to maximize the value of information on consumers. The Information Technology supports the CRM infrastructure by systematizing common processes, especially, strategic data entry about customers at every point of contact (Reponen and Tapio, 2003).

In the shadow of CRM, the Internet has opened the way for Online Customer Relationship Management, which gave birth to the concept of e-CRM (Lauren Keller Johnson, 2002; Reponen and Tapio, 2003). As the Internet is becoming more and more important in business life, many companies consider it as an opportunity to reduce

customer-service costs, tighten customer relationships and most important, further personalize marketing messages and enable mass customization

The Marketing One to One

For Peppers and Rogers (1998), Marketing One to One stems from the idea of establishing a learning relationship with each client. A learning relationship is a relationship that becomes more intense with every interaction. The client expresses his needs that the company seeks to satisfy by customizing the offering. Each interaction is then used to improve the ability of the organization to adjust its offer to achieve mass customization (Lauren Keller Johnson, 2002).

Thus, companies can penetrate the privacy of their customers and know their lifestyles. Therefore, the One to One Marketing is based on the customers' share rather than on market share (Peppers and Rogers, 1998). It is no longer focusing on one product and selling it to the maximum of consumers they have precisely this need. The Specialist on Marketing One to One focuses on a single customer to sell him the maximum of products throughout the life of the business relationship (Peppers and Rogers, 1998).

The One to One approach consists of four steps: identification, differentiation, interaction with the customer and finally personalization. The first two steps involve analyzing internal company priori little perceptible by the client. However, the stages of customer interaction and customization of products and services are actions visible and noticeable to the customer. However, leverage customer information involves the constantly use of reliable and updated data. ICT, especially Internet, can develop a learning information system which was enriched with the sequence of contacts with the client.

However, the One to One Marketing has given rise to many conflicting reactions: euphoria consultants and practitioners on the one hand, reticence and mistrust of marketing theorists on the other. This distrust of academics is due to the fact that the One to One Marketing, which seems to be a true revolution in marketing, is an evolution and an extrapolation of the concept of relationship marketing made possible with the advent of Information Technology and Communication (Abidi, 2000).

Comparative Analysis of Concepts

After defining the different concepts belonging to the customer-oriented marketing approaches, we try next to clarify the differences between these them (cf. Table 3).

Table 3: Summary of different definitions of client-focused marketing strategies

	Relationship Marketing	CRM	Marketing One to One
Definition	It is a strategy oriented towards the profitable customer willing to engage in a relationship, intended to maintain and improve this relationship, and associated to an exchange relationship and a continuous and personalized interaction in order to create social ties between the company and the customer	All arrangements for managing customer relationships: customizing sites, loyalty schemes, customer support via web, e-mail contact...	It is a learning relationship with the client: it becomes more intense with every interaction. Each interaction is an opportunity to improve the ability of the organization to adjust its offer to each customer.
Target approach	Customers having value for the company and willing to engage in a relationship with it.	Customers having value for the company and willing to engage in a relationship with it.	Customers having value for the company and willing to engage in a relationship with it.
Approach base	Customer focus, continuous and personalized interactions.	Interactions, personalization.	Databases, interactivity, mass customization.
Purpose of the approach	Maintaining and improving relations between the parties in a long-term. Perspective.	Customer satisfaction, maintaining the relationship, fidelity.	Customer loyalty.

Recognizing that the semantic difference between different concepts must be motivated by a real difference in content, it seems necessary to propose an analysis to determine whether there are real differences in content, therefore justifying the different terminologies.

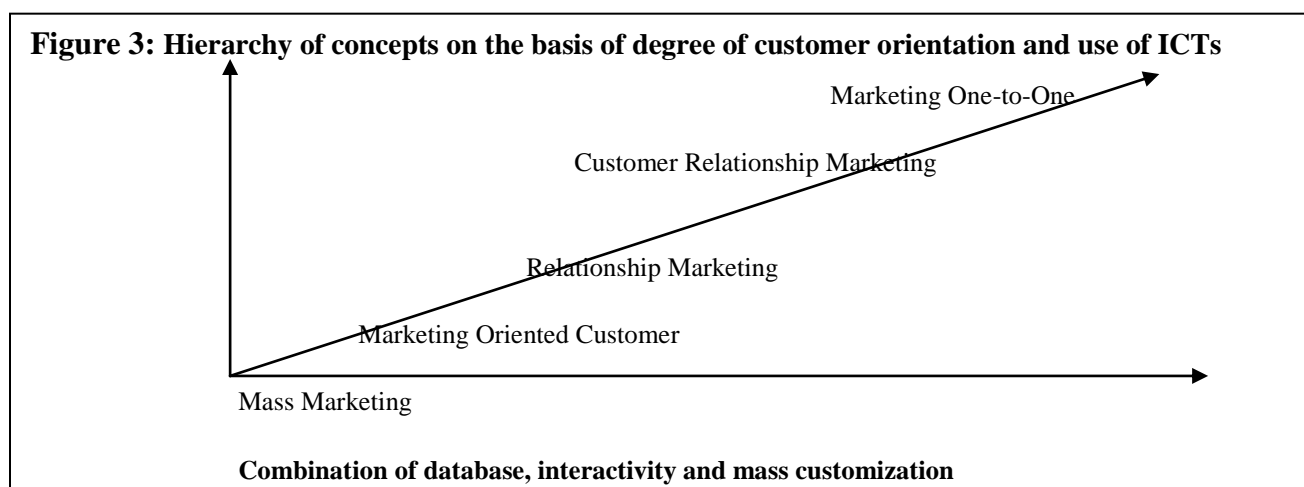
Differences between customer-oriented marketing and relationship marketing: for Sheth, Sisodia and Sharma (2000), it is important to make a clear distinction between marketing-oriented customer (Customer-Centric Marketing) and relationship marketing. Indeed, to practice effective relationship marketing, an organization must adopt a customer orientation. But the reverse is not always true: customer-oriented marketing can be done without relationship marketing. Indeed, what the authors call Transactional Customer-Centric Marketing is often applied in situations of direct marketing where the interest and level of customer engagement in an interactive relationship with the company are not high.

Differences between customer-oriented marketing and marketing One to One: Sheth, Sisodia and Sharma (2000) describe marketing one to one as marketing-oriented product (product-centric marketing) since it is based on adaptation and mass customization of product. The product is therefore the starting point of this approach. Moreover, customer-oriented marketing is based on the needs, desires and resources of consumers as a starting point of relational process. However, the qualification of "One to One" as a marketing-oriented product according to these authors is inconsistent with the way it was defined by its designers (Peppers et Rogers, 1998), who have emphasized the notion of product adaptation to the expressed and observed needs of consumer to reach the mass-customization of the offer. Therefore, the One to One marketing cannot be obtained without a customer orientation.

Differences between relationship marketing and CRM: the difference between the two concepts lies in the degree of ICT use. In fact, CRM is an approach that allows maximum use of the new opportunities offered by ICT, especially, Internet and Web Technologies. The CRM is a multichannel relationship marketing integrating the interfaces of contacts with the customer (cash register systems, sales forces, call centers, web interface, etc...). Compared to Relationship Marketing, CRM reaches a larger number of consumers. In addition, the Internet tool allows interaction with the customer allowing relationship marketing "with" the consumer and not "for" the consumer.

Differences between CRM and One to One Marketing: CRM means all the tools, methods and techniques that allow the company to maintain contact with its customers. A CRM approach may still not get to the highest end of the individual relationship with each client. Messages may not be personalized. Develop a CRM tool can gather information about each customer, to be reactive and to best serve a single objective: customer loyalty. If, in addition, products or services are tailored to a One to One approach, i.e. customization, customers can derive higher value. Although there is often confusion between the terms, One to One appears as the further degree of a CRM approach. Both are synonymous with a culture and a mindset firmly oriented towards the customer.

In short, relationship marketing, CRM and One to One marketing strategy is customer-oriented, with degrees of personalization, more or less high, reaching to maintain relationship and loyalty. They are based on the use of databases, interactivity and personalization of relationship, enabled by a learning relationship.



Conclusion

Relationship between exchange parties is crucial to a successful transaction. One party will not exchange with another party under poor relationship unless there is implicit value that no other parties are able to provide, or there are motives that other parties are unable to satisfy.

In any transaction, people are at the center of the social interaction. It can be said that pure economic exchange ignores the notion of humanism. Personal selling constitutes a major activity in the marketing mix, while interactions among people with a stake in the exchange process extend well beyond the transaction. Therefore, building relationships with other stakeholders beyond the immediate decision maker are both tactical and strategic.

All concepts related to relationship marketing have a common sense and preoccupation: how to improve the relationship quality between firms and customers. However, some divergences should be presented and explained.

In view of differences between the concepts, it appears that the One to One cannot be exercised without CRM, but reverse isn't true. Similarly, CRM can't be done without relationship marketing, but reverse isn't true. We could say definitively that One to One is a subset of CRM, itself a subset of Relationship Marketing, which belongs to all customer-oriented marketing strategies.

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