

The Development from transaction marketing to relationship marketing

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Abstract. The marketing trend between the 1950s and 1980s was primarily transactional marketing. But since the 1980s marketing trends have gradually shifted to relationship marketing (Stephen and Robert, 2018). This essay will focus on some of the theories that embodied the marketing transactional paradigm in the early years and the limitations that were discovered in practice. It will also introduce the major changes in the concept of marketing in the 1980s.

Keywords: Marketing; major changes; transactional marketing; relationship marketing.

1. Introduction

Marketing, as a "practice", has a history as old as business. But marketing as a formal discipline only appeared in the United States at the beginning of the twentieth century (Berghoff et al., 2012). However, from the 1930s, the market focused on the production and neglecting marketing (Hive studio, 2017). This is because most businesses are less productive currently, if they produce the product they do not have to worry about sales. In the 1950s, with the end of The Second World war market productivity soared, and productivity and consumer demand are unbalanced (Packard, 1957). Enterprises paid more attention to transactional and effective marketing (Saren et al., 2009). And because of the backward communication technology made it difficult for enterprises and consumers to establish a long-term relationship.

2. Proposal and development of Marketing Mix

In 1954, Border put forward the "Marketing Mix" theory, which takes marketing as a management function, and thinks of marketing as doing a single transaction (Gronroos, 1997). Marketing management experts believe that marketing is to strengthen the management of prices, products, and so on to ensure that every marketing is effective (Brown, 1996). But because Border's "marketing mix" theory is too cumbersome, McCarthy reduced the "marketing mix" theory to the "four Ps" theory in 1960 (O'Malley and Patterson, 1998).

Since the four Ps theory focuses on the one-off transaction, the enterprise thinks that selling products and making money with reasonable marketing means is victory, and does not pay attention to the relationship with consumers. The characteristic of transactional marketing is that it no longer maintains other relations with consumers after the transaction (Rouse, 2009), so the four Ps can also be understood as a transactional marketing theory.

3. Some limitations of the four Ps theory

Due to the peace conditions after The Second World War, the high wages and the high consumption policy carried out by western governments stimulated the demand of consumers to some extent, and the whole social economy showed a growth pattern (Walsh, 2012). To a large extent, it is this special background that makes the four Ps theory effective. But with the passing of the consumption boom, the emergence of competitors and the practice of some enterprises, the limitations of the four Ps theory began to emerge.

Firstly, "The usefulness of the four Ps as a general marketing theory is highly questionable" (Gronroos, 1997, p6). Since there is no accurate definition of the four Ps, most of it is

summarized from practice by representatives of the early marketing management school. So, the usefulness of the four Ps has not been proven on a theoretical level (O'Malley and Patterson, 1998). Therefore, we cannot directly combine the four Ps theory with other theories.

In addition, the underlying assumption of the four Ps is also one of its limitations. A major criticism of the four Ps is that it is inconsistent with the marketing concept of spending most of the energy on identifying the needs of the target audience to create products that meet customer needs (Kotler & Zaltman, 1971). The underlying assumption of the four Ps is that enterprises hope to make consumers pay attention to their products by controlling the price, products, and so on. This idea of "asking consumers to pay attention to products" rather than "asking businesses to pay attention to consumers" puts consumers in a passive acceptance position (Gronroos, 1994). In practice, the four Ps theory has largely become a management toolbox without a real focus on customer needs (Gronroos, 1994). Enterprises just use various means to attract consumers, without considering their interests of consumers. This will lead to consumers' low loyalty to the brand (Othman, 2019). All the transactions are one-off, and enterprises need to spend more money on publicity to constantly explore new customers.

Another limitation of the four Ps is that it doesn't work in all cases. Since the success of the four Ps has been carried out in the specific environment of western countries in the past, its effectiveness in the new environment is controversial (Codita, 2011). In the market environment at that time, there were few competitors and the market environment was relatively single (Walsh, 2012). Enterprises can attract target audiences by changing their product structure, product price, and so on. However, with the progress of science and technology, market productivity is improving rapidly, and there will be many competitors with a similar level in the market (Prince & Priporas, 2015). Since the market is segmented infinitely at this time, different companies may have the same target audience. If the enterprise still only focuses on products and continues to attract customers through interest intervention, it will not have significant advantages in the process of competition (Tapp & Spotswood, 2013).

4. From transaction marketing to relationship marketing

In the process of practice, enterprises realize that the transaction relationship without paying attention to customer satisfaction is not beneficial to the long-term interests of enterprises. Therefore, since the 1980s, enterprises began to attach importance to relationship marketing (Berry, 1995). The concept of relationship marketing was first proposed by Berry (Berry, 1983). It can be summarized as all marketing activities to establish, develop, and maintain long-term trading relationships (Stephen & Robert, 2018). It focuses on establishing a good and stable relationship between enterprises and customers, dealers and other organizations or individuals, and realizing the maximization of all aspects of benefits through the mutually beneficial exchange. Eventually, a "business network" of these reliable business relationships is established (Gronroos, 1994). Although transaction marketing can also make profits, enterprises should focus on long-term relationships. Therefore, relationship marketing, which mainly focuses on maintaining and developing long-term relationships with customers, is more suitable for the current market environment.

5. Application of relationship marketing

With the advent of the Internet, price-comparison sites allow customers to quickly compare competing products. Low price products and a few advertising pictures are difficult to attract customers. Companies need to offer more value to attract customers first and then build long-term relationships with them. And this kind of relationship marketing thought is embodied in the marketing practice of today's market.

With the development of technology, interactive game advertisements can be created (Christopher, 2010). The small game of the business combines the brand side and consumers closely, making the

brand attract the attention of consumers enough, to achieve the purpose of marketing. For example, in "Subservient Chicken", an interactive online game launched by Burger King, after players enter word commands in the input field, the chicken in the video window immediately makes corresponding actions (MIKKELSON, 2004). The simple operation brought great satisfaction to users and made their new chicken nugget burger set a great success. Such interactive games enhance the emotional connection between consumers and the brand, making consumers more willing to buy the products of the brand.

After effectively attracting consumers, it is very important to establish a close relationship with consumers and improve their loyalty to the brand. Reichheld and Sasser (1990) proved that a company can increase its profit from 25% to 85% only if it reduces customer loss by 5%. So, to obtain a long-term and stable customer group, the merchant can let the customer participate in the creation of the product (Gentile et al.,2007). Ikea, which has more than 100 stores around the world, has done just that. Ikea mainly sells furniture that can be disassembled and assembled at will. Consumers can recreate products according to their preferences. For example, Ikea offers different colors of paint so that consumers can design their furniture colors (Michael et al.,2012). This makes the relationship between enterprises and consumers closer and makes customers more loyal to the brand. Loyal customers bring in more revenue over a longer period, and the cost of maintaining existing customers is lower than the cost of acquiring new ones (Berry, 1995).

In addition, relationship marketing allows enterprises to have a better understanding of customers' needs through a series of previous service contacts, which is conducive to providing customized services that better meet customers' needs (Berry, 1995). Because many customers want to be "relationship customers," customized services offered by enterprises have a strong appeal to customers (Berry, 1995). And this kind of customized service also reflects the value that the enterprise provides to customers beyond the products. For example, Dior uses big data to analyze the types of skincare products that customers usually buy, to understand the skin quality of customers. And send short messages to customers when there are products suitable for their skin type (Bhasin, 2018). The value provided by the service leads the customer to believe that the net value provided by the company is greater than the product offered by the competitor (Ravald & Gronroos, 1996). Therefore, customized services help enterprises form a stable relationship with customers and make customers more loyal to the enterprise.

6. Conclusion

In general, since the emergence of marketing in the early 20th century, there have been two major changes in marketing thinking. The first was in the 1950s when marketing shifted from a focus on production to a focus on effective marketing. The second was in the 1980s when marketing ideas shifted from transaction marketing focused on a single transaction to relationship marketing focused on building stable relationships. After these two changes, some shortcomings of marketing thought have been gradually solved, and the new relationship marketing idea formed is also more suitable for the contemporary market environment.

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