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Business relationships on different waves: Paradigm shift and marketing orientation revisited

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Abstract

Relationships with customers, also referred to as inter-organizational relationships, are a growing theme in marketing. The increased interest in these concepts has triggered views that a paradigm shift from mass marketing toward relationship marketing has taken place over the last 20 years and that only a relationship orientation secures firms' success. In this paper, we promote the idea that relationships exist along different orientations and paradigms. We identify five different orientations and the logic of a buyer–supplier relationship in each of these waves. Furthermore, we argue for a dyadic view of orientation, i.e., the supplier orientation must match the buyer orientation in order to allow smooth interactions.

Keywords: Marketing; Purchasing; Market orientation; Customer relationship; Paradigm shift

1. Introduction

Ever since the development of an understanding of markets, the impact of two logics has been discussed: on one side economic behavior has been promoted as the basis for understanding markets. Alternatively, sociology has been suggested based on an understanding that individuals are embedded in social structures on these markets and their behavior might not exclusively—if at all—follow economic rational logic (Blau, 1964; Heath, 1976).

Based on the alternative views, two ideal types of exchange between a seller and a buyer have been promoted building some sort of extreme points on a scale. At one end, transactions are described as exchanges that are self-contained and discrete from other exchanges. People involved in such exchanges do not remember anything from a specific exchange; likewise they do not remember any information from previous exchanges. In some way, the actors on such markets are faceless and without memory. In these situations the single transaction is central and the actors of only marginal interest. This also imposes that the individual actor is assumed to be general, i.e., all suppliers and customers are the same in the focal market. It does not matter who is interacting (which buyer, which seller) as they are only numbers in a bigger pool of similar sellers and buyers. Markets and the actors who are active in these markets are assumed to be homogenous.

The other extreme marks a radical departure from anonymity as the notion of relationships introduces history and individualism into business behavior (Ford et al., 1998). Social variables are therefore important in understanding exchange but the focus on exchange is limiting in itself as it does not allow respecting the on-going character of business relationships (Sheth & Parvatiyar, 1995). But as actors tend to remember what happened in the last exchanges, actors are likely to include this knowledge into their decision making for the next exchange. Relationships thus introduce past, present and future into exchange. The later relationship focus has over the last years been discussed as a paradigm shift and the new way to understand marketing (Sheth & Parvatiyar, 1995).

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Some of the writings on this paradigm change indicate that business relationships only exist in the latter version of markets. In this paper, we will challenge this understanding by reviewing the development of the marketing discipline and hereby showing that relationships are built for different reasons and may well exist in paradigms different to relationship marketing.

Alongside the discussion of theoretical paradigms, firms are found to follow different orientations in their approach to marketing (e.g., Kotler & Keller, 2005). Similarly, differences in firms' approach to purchasing have been discussed (Anderson & Narus, 1999; Gadde & Persson, 2004). These different orientations are based on different assumptions about markets and different situations, partly reflecting the different paradigms. The different sides of purchasing and marketing have not yet been combined into a dyadic understanding. This paper will fill this gap in order to illustrate the rationale for relationships in different situations and to highlight the importance of a match between supplier's and buyer's orientation.

The paper is organized as follows: First, we briefly review the different marketing orientations and we discuss the notion of paradigms and paradigm shifts. Then, we introduce a model of buyer–seller relationships and discuss this model in relation to the different marketing orientations. Finally, we present some managerial implications and further research questions.

2. Orientations and paradigms in marketing thinking

Many authors have reasoned about different orientations of firms towards their markets and customers. One of the most widely distributed versions is displayed in Table 1 (based on Brassington & Pettitt, 2000; Keith, 1960; Kotler & Keller, 2005; for critics see Fullerton, 1988). Similar arguments have been made for suppliers and their purchasing orientation (Anderson & Narus, 1999; Gadde & Persson, 2004). Recently, Coviello, Brodie, Danaher, and Johnston (2002) have added a relational perspective and re-defined different orientations.

Apart from differences in firms' marketing orientation, marketing theory developed in different directions (for a historic overview see Jones & Shaw, 2002). Sheth, Gardner, and Garrett (1988) identify 12 schools of thought and divide them by the degree of economic theory used and the degree to which an interactive view on marketing was taken. Wilkinson (2001) develops a timeline of thought concerning relationships and network thinking in marketing theory.

Table 1
Orientations towards markets and customers

Orientation	Customer behavior	Managerial focus
Production	Customers prefer products that are widely available and inexpensive	Production efficiency, low costs, mass distribution
Product	Customers prefer products that have best feature combination	Superior product features
Sales	Customers buy too little if not motivated	Sales efforts
Marketing	Customers buy solutions to their needs	Understanding customers

Some have argued that a paradigm shift is needed or has taken place (Arndt, 1979; Grönross, 1994; Gummesson, 2002; Håkansson, 1982; Sheth & Parvatiyar, 2002). A paradigm is defined as "an accepted model or pattern" (Dixon & Wilkinson, 1989, p. 59) which is shared by a scientific community and which builds the foundation of their ongoing scientific work (Kuhn, 1962). It can be seen as the fundamental beliefs, shared assumptions and resembles elements of organizational culture defining norms and expected behavior and thought. The definition highlights the fact that a paradigm does not need universal agreement it needs to be shared by a scientific community only. As such, different paradigms may well co-exist.

Paradigms are resistant to minor discrepancies between their fundamental models and contradicting (potentially empirical) evidence. Thus, discrepancies are dealt with as abnormalities, paradoxes or puzzles. However, major discrepancies can induce a "crisis" which can lead to judging a given paradigm as inappropriate and laying the path for developing and accepting a new paradigm (Dixon & Wilkinson, 1989; Kuhn, 1962).

Applied to marketing, the field has experienced an increasing interest in interactions between buyers and sellers and the relationships they build (Gemünden, 1997) since the interaction approach was presented by the IMP group (Håkansson, 1982). Therewith, the use of sociology and social exchange literature has increased in understanding market behavior, and the applicability of macro and micro economics, economic exchange theory, and transaction cost theory for understanding markets has been questioned. It can be argued that the increasing evidence of the existence of buyer–seller relationships has created a "crisis" for marketing theories based on economics. Thus, a new paradigm had to be found—and relationship marketing and interaction theories have been positioned to be this new paradigm. The following statements can be made:

- Given the different theoretical background and business logic, different marketing paradigms co-exist.
- The increasing awareness of inter-firm relationships and their value creation potential have moved relationships from abnormalities (as they are in economic theory) to normality, thus creating a "crisis" for traditional approaches.
- The paradigm shift is rather incremental than radical. Research interest and theory development have not radically moved but continuously developed.

In order to relate the above discussion to business relationships, we introduce a model of business relationships in the following section.