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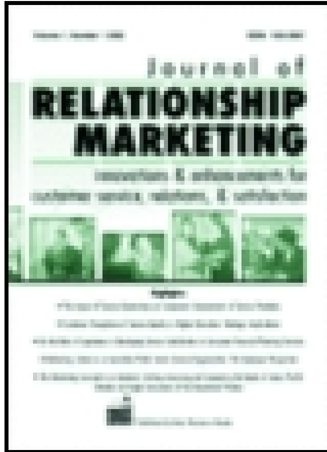

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A Stakeholder Perspective on Relationship Marketing

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A Stakeholder Perspective on Relationship Marketing: Framework and Propositions

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ABSTRACT. This paper proposes a broad framework of relationship marketing using the stakeholder approach. Drawing from Peck et al. (1999) framework and proposing several modifications, the authors identify the following relational groups–supplier markets, customer markets (channels), customer markets (end users), competitor markets, external influence markets, and internal markets. The growing importance of strategic alliances is reflected in all constituent groups as well as in a proposed modification of the Berry and Parasuraman (1991) levels of relationships. This paper also re-examines the strategic role of the traditional marketing mix strategies (namely, product, price, place, and promotion) in the new relationship paradigm. Finally, implementation strategies for the stakeholder markets, in general, and customer markets, in particular, are proposed. Several propositions are derived throughout the paper, many of which can be fertile areas for future research investigations. [Article copies available for a fee from The Haworth Document Delivery Service: 1-800-HAWORTH. E-mail address: <getinfo@

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KEYWORDS. Relationship marketing, stakeholder approach to relationship, levels of relationship, marketing-mix strategies, relationship strategies and relationship implementation

There is a fundamental paradigm shift in the way marketing is being redefined. Relationship marketing is fundamentally different from transaction marketing as it focuses on building and maintaining long-term relationships with customers through mutual interaction and mass customization. In 1992 Kotler put forward his "Total Marketing" framework as structural view of marketing performance and success, where the traditional marketing view is not replaced, but is repositioned as the toolbox for understanding and responding to all the significant players in the company's environment. According to Kotler (1992), "The consensus in American business is growing: if US companies are to compete successfully in domestic and global markets, they must engineer stronger bonds with their stakeholders [emphasis added], including customers, distributors, suppliers, employees, unions, governments, and other critical players in their environment. Common practices such as whipsawing suppliers for better prices, dictating terms to distributors, and treating employees as a cost rather than an asset, must end. Companies must move from a short-term transaction-oriented goal to a long-term relationship-building goal."

Parvatiyar and Sheth (1994) view relationship marketing as an orientation "that seeks to develop close interactions with selected customers, suppliers, and competitors for value creation through cooperative and collaborative efforts" (p. 1). Morgan and Hunt (1994) broaden this definition by stating, "relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining, successful relational exchanges" (p. 22). Morgan and Hunt proceed to categorize the marketing activities into four broad partnerships: supplier, buyer, internal, and lateral. Doyle (1995) offers a general framework for relationship marketing identifying a series of dyadic relationships between the firm's central core and types of network partners, namely, internal, external, supplier, and customer. Peck, Payne, Christopher, and Clark (1999) propose the six markets model (after several rounds of revision) with customer markets as the focal point and other markets, namely,

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supplier and alliance markets, internal markets, referral markets, influence markets, and recruitment markets, all revolving around the customer markets. A summarized taxonomy of frameworks is provided in Table 1.

In general, there are some obvious similarities across these frameworks both in terms of content and structure. All agree that internal markets and upstream and downstream vertical relationships are essential elements of relationship marketing. However, there are some structural differences across the frameworks in terms of comprehensiveness and categorization. For example, Kotler (1992), Morgan and Hunt (1994), and Doyle (1995) consider competitors as part of 'external macro-environmental' partnerships, while Parvatiyar and Sheth (1994) and Peck et al. (1999) categorize it under 'competitor' and 'supplier and alliance' markets respectively. A look at the various frameworks reveal that the Peck et al. six markets relationship framework is perhaps most comprehensive in representation. A closer scrutiny of the Peck et al. is therefore warranted.

The purpose of this paper is to propose a broad framework based on the work of Peck et al. (1999) with proposed modifications, and to integrate and leverage the traditional marketing mix strategies (namely, product, price, place, and promotion) into the relationship marketing paradigm. Given that recent relationships have gained deeper roots, we propose modifications to the Berry and Parasuraman (1991) framework of the 'levels of relationships.' Finally, recognizing that intensive relationship marketing is not intended for every customer and that each stakeholder needs to be differentially weighted, we propose implementation strategies that will allow firms to segment current markets based on the level of relationship as well as firm generic strategies. Based on the discussions, several propositions are put forth throughout the paper.

THE STAKEHOLDER FRAMEWORK OF RELATIONSHIP MARKETING

Evaluation of the Peck et al. (1999) Framework– A Proposed Modification

The Peck et al. (1999) six markets framework rightly renders the customer markets domain the central importance and breaks it down to buyers, intermediaries, and end consumers. It is imperative that for ef-

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TABLE 1. Taxonomy of Relationship Marketing Frameworks

Kotler (1992)	Parvatiyar and Sheth (1994)	Morgan and Hunt (1994)	Doyle (1995)	Peck, Payne, Christopher, & Clark (1999)	Proposed Framework
Suppliers	Supplier Markets	Supplier Partnerships Goods suppliers Services suppliers	Supplier Partnerships Goods suppliers Services suppliers	Supplier & Alliance Markets Suppliers of raw materials and services Strategic alliances, joint ventures, network partners	Supplier Markets Suppliers of raw materials and services Vertical Backward Integration Strategic alliances
Distributors	Customer Markets	Buyer Partnerships Intermediate customers Ultimate customers	Customer Partnerships Intermediate customers Ultimate customers	Customer Markets Trade customers (intermediaries, distributors, retailers) Consumer (end purchasers, users, and consumers)	Customer Markets (Channel intermediaries) Trade customers (Intermediaries, distributors, retailers) Vertical Forward Integration Strategic alliances
End Users	Competitor Markets	Internal Partnerships Business units Employees Functional departments	Internal Partnerships Business units Employees Functional departments	Internal Markets Employee satisfaction and retention correlated with customer satisfaction and retention	Customer Markets (End Users) Consumer (end purchasers, users, and consumers) Strategic alliances

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Kotler (1992)	Parvatiyar and Sheth (1994)	Morgan and Hunt (1994)	Doyle (1995)	Peck, Payne, Christopher, & Clark (1999)	Proposed Framework
Employees		Lateral Partnerships Competitors Non-profit organizations Government	External Partnerships Competitors Governments Strategic alliances	Influence Markets Governments and their agencies, press and the media, professional bodies, investors, and pressure groups, competitors	Competitive Markets Horizontal Partnerships Joint Ventures Strategic Alliances
Macro-environment Financial Government, Allies, Competitor, Media, Public				Referral Markets Professional services–informal networks, word of mouth recommendations Manufacturing–formal and informal referral agreements	External Influence Markets Governments and their agencies, press and the media, professional bodies, shareholders, and pressure groups Strategic Alliances
				Recruitment Markets Contract working, outsourcing, partnering, third party	Internal Markets Employees as Internal Customers Potential Employees Business units Functional departments Strategic Alliances

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fective relationship marketing to emerge, a customer-centric approach needs to be adopted (Sheth, Sisodia, and Sharma, 2000). The supplier and alliance markets characterize the upstream source of raw materials and services to the firm. Peck et al. merge the supplier and competitor markets together as one market characterized by strategic alliances. Alliance partners supply knowledge-based competencies rather than products. The referral markets consist of customer and non-customer sources through professional services, positive word-of-mouth referrals by customers and agencies. The influence markets consist of the most diverse range of constituent groups such as shareholders, financial analysts, government, media, and consumer groups. The recruitment markets represent all potential employees who possess necessary skills to match the profile the firm wishes to portray to its customers. It also refers to third parties such as executive search consultants, commercial recruitment agencies, and management selection consultants. Finally, the internal markets involve the idea that every employee within an organization is both a supplier and a customer and that there is a positive correlation between employee satisfaction and customer satisfaction.

We concur with the Peck et al. framework, that relationship marketing involves far more constituent groups than just customers and suppliers. A broader set of stakeholders that are corporate constituencies can affect and be affected by a company's marketing program. To our knowledge, the Peck et al. (1999) framework is by far the most comprehensive in terms of stakeholder representation. While the content of the framework is robust, we propose a reconfiguration of the structure of the framework.

First, we propose to breakdown the customer markets into two separate markets–distributors and ultimate users. Business-to-business marketing is significantly different from consumer marketing. Kotler (1992) views the two markets as totally different and advocates different marketing approaches (trade marketing for the intermediary market) and the traditional consumer marketing for the end user market).

Second, we propose that the competitors markets deserve a prominent market position in the framework rather than being tucked away inside the "Influence" markets with other macro-environmental factors. Competitor orientation is a key cornerstone of market orientation along with customer orientation and inter-functional coordination (Day and Wensley, 1988; Narver and Slater, 1999; Porter, 1980). Reconfiguring the competitor domain to a higher and independent status will help re-align the customer-competitor balance so critical in market orientation.

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Third, we combine the internal markets and the recruitment markets since both these markets deal with existing and potential employees of the firm respectively. The recruitment market is an important constituent market in organizations characterized by skills and experiences pivotal to customer value. However, overstating its significance in the framework at the expense of other markets may not be legitimate. While recruitment market is vital for the maintenance of organizational skills, it logically fits in at the interface of marketing and human resource management functions, which are constituents of the internal markets.

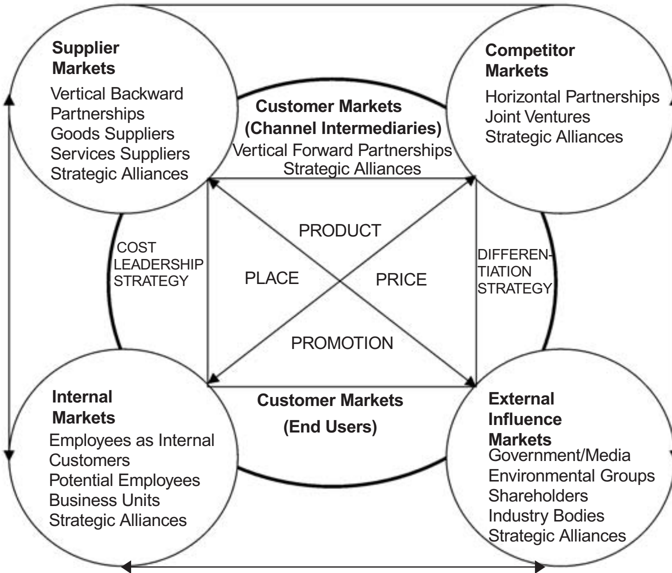
Fourth, while we uphold the significance of the impact referrals can have, we believe that this market is better categorized as sub-sets of other markets. We propose to eliminate the special market status given to 'referral' markets since customer referrals and staff referrals are subsumed under customer markets and internal markets respectively. In fact, Peck et al. (1999) by their own admission state that referrals are in fact benefits arising from successful managed relationships with the constituent parties.

Finally, we extend the idea of strategic alliances to all constituent markets in the framework rather than just the supplier markets. Today's marketplace is rife with strategic alliances in most markets with a potential in all markets (Varadrajan and Cunningham, 1995). The goals of strategic alliances are to leverage critical capabilities, increase the flow of innovation, and improve the flexibility in responding to market and technological changes. Figure 1 depicts the proposed revised framework. We next discuss each constituent group in the relationship framework.

Relationship with Customer Markets–Channel Intermediaries

The globalization of competition has increased the difficulty of getting access to end customers. This has enhanced the position of distributors who have rapidly organized themselves into powerful chains. To reach global customers, marketers are increasingly trying to build distributor partnerships where access and information about end customers are shared (Doz and Hamel, 1998; Gummesson, 1999). However, the focus of channel relationship management is shifting away from the vertical marketing system, characterized by authoritative control and centralized planning and decision-making, toward the channel relationship system characterized by contractual and normative control. Norms governing channel relationships are mutually learned and accepted and become part of channel inter-organizational culture over time (Deshpande

FIGURE 1. A Proposed Framework of Exchange Relationships in Relationship Marketing



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and Webster, 1992). Relationships work effectively when there exist high levels of manufacturer-intermediary dependence (Frazier and Antia, 1995).

The focus on channel relationship marketing has largely been contributed by a growing disenchantment with vertical integration, the growth in power of intermediary channel firms, and the recognition of competitive advantage in relationship strategies (Weitz and Jap, 1995). Firms are exploring opportunities for relational channel networks and outsourcing rather than vertical integration with increasingly powerful channel members as a commitment to stick to their knitting. Channel activities offer substantial value added potential and channel relationship management can offer tremendous cost savings and competitive advantage. For example, Dell computer considers its direct mail distribution skills as its key source of competitive advantage rather than product and manufacturing skills. With the growth of Internet based virtual firms, more channel activities will be outsourced, except for brand-

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ing, customer creation and customer portfolio management (Moller and Halinan, 1999).

Based on the discussion in this section, we offer the following propositions:

P1 To reach global customers, marketers will have to increasingly build distributor relationships where access and information about end customers are shared rather than treated as proprietary.

P2 In relationship marketing, channel management will shift away from the vertical marketing system, characterized by authoritative control and decision-making, toward a channel relationship system characterized by contractual and normative control.

P3 Channel relationships work effectively when there exist high levels of manufacturer-intermediary dependence.

P4 Channel relationship management can add substantial value, offer tremendous cost savings and competitive advantage.

P5 With the growth of Internet based virtual firms, more channel activities will be outsourced, except for branding, customer creation and customer portfolio management.

Relationship with Customer Markets–End Users

Relationship marketing in the consumer markets is a relatively new phenomenon. Sheth and Parvatiyar (1995) propose that relationship marketing has the potential to improve marketing productivity by making it more effective and efficient. Marketing practices become more effective since marketing resources are directed towards those consumers who provide the greatest value. Efficiency comes through long-term customer retention. Research demonstrates that it is far less expensive to retain a customer than acquire a new one (Reichheld and Sasser, 1990). Technological advances and relational databases have greatly facilitated long-term engagement in consumer relationships. The new focus on consumer relationships includes frequent user incentives, customer referral benefits, preferred customer programs, relational databases, mass customization, and consumer involvement in the company's decisions (Sheth and Parvatiyar, 1995).

The Internet provides the ability to customize and interact with each single customer on a one-to-one basis thereby strengthening relationships with end users (Deighton, 1997; Geller, 1998). It allows firms to build up and maintain relationships with existing and new customers. Because of interactivity, the Internet provides a platform of ongoing

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two-way exchange of information, which is a prerequisite for relationship building (Heidi and John 1992). For example, the Internet enables ITT Sheraton Corp. to know a business traveler's room preference. Using the password, the guest can indicate changes to the stated preferences via the Internet at any time. Thus, we posit:

P6 Relationship marketing has the potential to increase marketing productivity by making it more effective and efficient.

P7 Relationship marketing, through the use of the Internet and relational databases, makes it more feasible to focus on individual customers, even in mass markets.

Relationship with Supplier Markets

Increased global competitiveness and industry restructuring and technology have significantly influenced the procurement paradigms of firms. Supplier relationships have shifted more to a relational and global outsourcing process (Moller and Hallinen, 1999; Sheth and Sharma, 1997). Supplier relationship increases cost efficiency by reducing uncertainty and control cost and enhances organizational effectiveness through quality and service. The future trend is to reduce the number of suppliers and enter into strategic relationships with a few who have differentiated their core competencies (Gadde and Snehota, 2000). The basis for competitive advantage comes through focusing upon that part of the value chain where the firm has either a distinctive cost advantage or value advantage (Anderson, 1995; Porter, 1985). The argument has been made that firms that do not have either a cost or a value advantage in specific parts of the value chain should outsource those activities to firms that do have such an advantage. Consequentially, not only are buyers outsourcing but also developing single source suppliers because of the pressure to increase quality, reduce inventory, and develop just-in-time (JIT) systems.

Future supplier relationships would devolve around cross-functional supply teams that understand global suppliers (with its attendant cross-cultural connotations) as partners and customers to create value (Sheth and Sharma, 1997). Firms and suppliers can co-manage the inventories required taking into account promotional activity, competitive activities, local conditions, and so on. Firms working closely with strategic supplier(s) can benefit through supplier-led innovation both in process and products. For example, in the auto industry, upstream suppliers have devised much of the improved technology in the finished product.

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Many firms have embarked upon "supplier development" program by focusing on significant improvements in their performance with the strategic intent of improving its own product quality, lower inventories, and greater operational efficiency. Similarly, continually sharing and linking information with suppliers results in cost savings, which then get passed in downstream activities. Hence, the following propositions are in order.

- P8 Supplier relationships will shift more to a relational and global outsourcing process.
- P9 In relationship marketing, the trend will be to reduce the number of suppliers and enter into strategic relationships with a few who have differentiated their core competencies.
- P10 Competitive advantage comes through focusing upon that part of the value chain where the firm has either a distinctive cost advantage or value advantage.
- P11 Buyers will outsource and develop single source suppliers because of the pressure to increase quality, reduce inventory, and develop just-in-time (JIT) systems.
- P12 Supplier relationshps would devolve around cross-functional supply teams that treat global suppliers as partners and customers to create value.
- P13 Supplier-led innovations both in process and products will provide an impetus to buyers to form strategic relationships.
- P14 Leading firms will undertake "supplier development" programs to improve supplier performance with the strategic intent of improving their own product quality, lowering inventories, and achieving greater operational efficiency.

Relationship with Competitor Markets

Competitors can be involved in both cooperative and competitive relationships with each other simultaneously. Cooperative relationship among competitors is analyzed to be advantageous in that firm resources and capabilities can be combined and used against other (third party) competitors (Perks and Easton, 2000). Contrary to vertical relationships, horizontal relationships between competitors can be conflicting (Bengtsson and Kock, 2000). In such situations firms place limits around the competition, e.g., geographical or project boundaries, to contain the competitive arena. For example, Bleeke and Ernst (1991) found that firms that enter into a relationship are successful when both

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partners serve separate geographic markets with a minimal overlap. When both partners have a presence in the same geographic markets, alliances often lead to competitive conflicts.

Competitor relationships often are institutionally formalized by way of strategic alliances. A strategic alliance may be either equity based distinct corporate entity (joint ventures) or nonequity based interorganizational entity (such as joint technology or product development center) to which the alliance partners commit agreed upon skills and resources (Varadrajan and Cunningham, 1995). A sustainable competitive advantage warrants understanding of current and potential competitors (Day and Wensley, 1988). Where competitive pressures are high with regards to imitation of new products (lead-time), alliance relationships offer enhanced protection against future competitors (Klien and Zif, 1994). Competitor alliance relationships offer the best alternative to circumvent market entry barriers and to remain competitive through innovations in markets where technological and competitive uncertainty is high (Sengupta and Perry, 1997).

Several configurations of relationships can be formalized with competitors within an industry. Strategic alliances between strong market leaders within a given industry are quite popular in the global market. Partnering with firms in host countries can circumvent legal, political and other regulatory barriers to entry (Varadrajan and Cunningham, 1995). In certain situations, there may an alliance between a market leader and a market follower within the same industry. Small firms with specialized competitive strengths in specialized technology are able to enter into strategic alliances with market leaders. The small firm gains financial support, while the large firm gets access to specialized technology. For example, Glaxo Holdings, PLC has collaborative agreements with small U.S. firms specializing in diabetes and biotechnology research (Cravens, 2000). Furthermore, a strategic alliance of a domestic market leader with a market follower in a foreign market shields the domestic market against attack from the market leader in the foreign market. The foregoing discussion leads to the following propositions:

P15 Horizontal relationships between competitors must have well defined boundaries in order to contain the competitive arena.

P16 Competitor alliance relationships offer an attractive alternative to circumvent market entry barriers and to remain competitive through innovations in markets where technological and competitive uncertainty is high.

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P17 Strategic alliances between strong market leaders within a given industry can form a lasting relationship in global markets.

P18 Small firms with specialized competitive strengths in specialized technology can form successful strategic alliances with market leaders.

Relationship with External Influence Markets

This market has the broadest and most diverse range of constituent groups. Firms compete for 'space' in an 'economic jungle' and that to survive in this jungle a company must win the loyalty of the constituent groups (Campbell, 1997). Hence, there is a need for firms to rigorously use marketing techniques such as segmentation, positioning, and the development of marketing strategies to achieve strategic marketing objectives. Some of these stakeholder groups include government and the regulatory system, media, non-profit organizations, environmental groups, and financial and investor groups.

While the role of the government in the United States is largely one of facilitating and regulating free enterprise, governments in other countries play a proactive role with corporate firms. For example, the Japanese Ministry of International Trade and Industry (MITI) established strategic alliances with companies, providing planning and technical assistance and sponsoring research. Japan has successfully used this method of creating a national competitive advantage (Porter, 1990). The media is an important interface between the firm and the market in today's digital economy. Firms are increasingly leveraging their offerings and value by aligning with Internet companies and broadcast media.

Cause-Related Marketing is another example of the alignment of corporate philanthropy and enlightened business interest. It is a marketing program that strives to improve corporate performance and help worthy causes by linking fund raising for the benefit of a cause to the purchase of the firm's products or services (Varadrajan and Menon, 1988). Firms enter into collaborative partnership with not-for-profit organizations to build and maintain relationships that would promote the motives of the partners. Cause Related Marketing can, therefore, be used as a strategic marketing tool by including top management's involvement in key decisions about the program, a long-term commitment to and support of the program.

Environmental influence markets represent a key group for many such as petrochemicals, mining, and manufacturing. As this constituent group becomes more vocal, organizations develop relational strategies

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for dealing with these groups. The Body Shop is a good example of an organization, which has managed its relationship with environmentalists by forming alliances with Greenpeace.

The principles and approaches of relationship marketing are now being applied in the financial and investor influence market. Financial and investor influence markets are especially crucial for organizations listed in the stock market. Tuominen (1990) has focused on several key markets including investors, stockbrokers, financial advisers, and analysts. A key issue within the investor market is the loyalty of investors. Reichheld (1990) finds that without the support of loyal investors, it is very difficult for a firm to pursue long-term value creating strategies. The challenge is to convert short-term investors into long-term investors by creating relational bonds.

Similarly, a stream of literature has evolved on trust in the context of relationship marketing. Trust is viewed as an essential ingredient for successful relationships (Berry, 1995; Dwyer, Schurr, and Oh, 1987; Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Morgan and Hunt (1995) define trust as the perception of "confidence in the exchange partner's reliability and integrity." Garbarino and Johnson (1999) find that unlike low relational customers, whose future intentions are driven by overall satisfaction, high relational customers are driven by trust and commitment. Firms can use these research findings and apply them successfully in the realm of investor markets. Maintaining a tight link between customer, employee, and investor loyalty lies at the heart of the strategy that helped to turn around an ailing Rank Xerox in the early nineties. In the last five years, Xerox's return on assets rose from six per cent to 19 per cent, alongside corresponding increases in customer loyalty and employee satisfaction (Syrett, 1997). Our discussion in this section is summarized in the following propositions:

- P19 The government can established strategic alliances with companies by providing planning and technical assistance and sponsoring research, thereby creating a national competitive advantage.
- P20 Cause Related Marketing can be used as a strategic marketing tool by including top management's involvement in key decisions about the program, forming a long-term relationship to support the program.

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P21 Relationship marketing can be applied in the financial and investor influence market to foster trust and commitment and engender loyalty.

Relationship with Internal Markets

Internal Marketing is creating, developing, and maintaining an internal service culture and orientation, which in turn assists and supports the organization in the achievement of its goals (Peck et al., 1999). The development and maintenance of a customer-oriented culture in the organization is a critical determinant of long term success in relationship marketing. Piercy and Morgan (1991) advocate the development of a marketing program aimed at the internal market that parallels the external marketplace of customers and competitors with a view to raising customer consciousness and service orientation. The internal service culture has a direct bearing on how service-oriented and customer-oriented employees will be.

Research finds support for linkages between employee satisfaction and retention and customer satisfaction and retention (Heskitt, Jones, Loveman, Sasser, Jr., and Schlesinger, 1994; Schlesinger and Heskett, 1991; Schneider, Parkington, and Buxton, 1980). In the same vein, high customer retention can also lead to higher employee satisfaction and retention as employees find their jobs easier dealing with satisfied customers rather than dissatisfied customers. Thus a reciprocal relationship between employee satisfaction and retention and customer satisfaction and retention is plausible.

There is a need to set up structures and processes across functional departments within an organization to enable employees to transmit knowledge and generate exchange. Practices of a learning organization–needs to have a market-oriented culture and climate (structure and processes)–can be applied to internal markets (Kohli and Jaworski, 1999; Slater and Narver, 1995). This internal exchange between groups and individuals must operate effectively along the entire value chain of the organization (Gronroos, 1981). Market-facing organizations drawing from multi-disciplinary teams are therefore more conducive for internal markets than the traditional hierarchical, functional organizations. There is consensus that internal marketing should not be solely the domain of marketing. Rather, an organization-wide culture of customer consciousness with boundary spanning processes and culture should be the guiding force toward internal marketing. Hence, the following postulates are in order:

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P22 The development and maintenance of a customer-oriented culture in the organization is a critical determinant of long term success in relationship marketing.

P23 There is a reciprocal relationship between employee satisfaction and retention and customer satisfaction and retention.

P24 There is a reciprocal relationship between employee retention and customer retention.

P25 Relationship marketing implies a need to set up structures and processes across functional departments within an organization to enable employees to transmit knowledge and generate exchange.

LEVELS OF RELATIONSHIP MARKETING

Berry and Parasuraman (1991) and Berry (1995) distinguish among different levels of relationship marketing. Level one of relationship marketing relies primarily on financial bond executed through pricing incentives such as rebates, discounts, credits, etc., to secure customer loyalty. The potential for sustained competitive advantage is, however, low since price is the most easily imitated element of the marketing mix. Level two of relationship marketing relies primarily on social bond, which involves personalization and customization of relationship, augmenting the core product/service, and providing continuity of service. A social environment that nurtures communication, honesty, and fair play makes a successful contribution. The power of communication is a prerequisite for trust. Level three of relationship marketing relies primarily on structural solutions to important customer problems that are difficult or expensive for customers to provide and that are not readily available elsewhere.

An Evaluation of the Berry and Parasuraman Framework– A Proposed Modification

It should be noted that Berry and Parasuraman's (1991) definition of relationship marketing (i.e., attracting, maintaining, and enhancing customer relationships) is rather limiting in scope when seen in the light of stakeholder framework. Their framework considers only customer relationships, which is developed and maintained by primarily deploying financial, social, and structural programs and activities. Their levels of relationship are an outcome of marketing mix (functional) and opera-

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tional programs, which do not include sustainable strategic alliances at the firm level.

On the contrary, our proposed framework incorporates multiple stakeholders including customers–intermediary channels and end users, suppliers, competitors, internal markets, and external influence markets. This expanded framework includes all possible cooperative arrangements, both internal and external to the firm, and vertical and lateral (Arndt, 1983; Day, 1990; Gronroos, 1990; Morgan and Hunt, 1994; Peck et al. 1999). The emergence of strategic alliances has created a need to not only broaden but also deepen the extent of relationships. Indeed, relationship marketing is now part of a bigger developing "network paradigm" which recognizes that global competition occurs increasingly between networks of firms (Thorelli, 1986, p. 47). At the firm level, relationship marketing spans several functions and levels within the organization warranting a need for a firm level approach rather than a functional level approach (Day, 2000; Gordon, 1998). In view of the enlarged scope of relationship marketing, we propose the following changes in the levels of relationship previously proposed by Berry and Parasuraman (1991) and Berry (1995). Table 2 contains the revised levels of relationship.

Level One of Relationship (Functional). In the revised framework, we categorize level one of relationship to include economic content of the relationship, which includes economic benefits and costs of participating in the relationship. This level is primarily managed by marketing mix variables, especially price, product, and promotion. Transaction cost theory helps the firm understand the switching cost, dependence of the firm, and attractiveness of alternatives available. High transaction cost creates dependence, which results in increased customer retention. While attractive economics are important to an exchange, they are not sufficient to sustain a healthy relationship (Morgan, 2000). Duncan and Moriarty (1998) stress the need for integrated communication and the demand for interactive communication. Communication and interpersonal relationship theory are at the foundation of a relational exchange. Our proposed level one relationship, therefore, consolidates Berry's (1991) financial (level one) and social bonding (level two). The planning and implementation of these relational activities primarily come under the purview of the marketing function. While important, it is limited in its impact since the degree of customization and potential for competitive advantage is low to medium (Berry, 1991). Thus, we have:

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TABLE 2. Proposed Levels of Relationship Marketing

Level of Relationship Bond	Type of Relationship Bond	Primary Focus of Relationship	Level of Firm Involvement	Theoretical Explanation	Degree of Customization	Potential for Sustained Competitive Advantage	Examples
One	Functional	Marketing Mix Variables Financial & Social (e.g., Pricing; Product & Promotion)	Marketing Functional Level	Transaction Cost Theory Communication & Interpersonal Relationship Theory	Low to Medium	Low to Medium	American Airlines' Advantage Program Harley Davidson's Harley Owner's Program
Two	Structural	Information System (Process) Integration Operational Efficiency (e.g., JIT inventory system, inbound & outbound logistics)	Cross-Functional Level Business Unit Level	Resource Advantage Theory	Medium to High	Medium to High (small window in competitive environment)	Federal Express's Power-ship Program Wal-Mart's Electronic Data Interchange (EDI) System
Three	Strategic	Strategic Competitive Advantage Firm Capabilities Knowledge and Skills (e.g., Joint R&D and product development)	Firm Level	Resource Advantage Theory Strategic Motivation Theory Organizational Knowledge Theory	High to Very High	High to Very High (large window in a competitive environment)	Ford and Mazda Strategic Alliance

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P26 Level one of relationship based on economic content is limited in its impact since the degree of customization and potential for competitive advantage are low to medium.

Level Two of Relationship (Structural). As firms adapt in setting relationship boundaries, it requires structural bonds and commitment in creating and maintaining value (Wilson, 1995). Level two of relationship is focused more at the business unit level connecting the processes and functions across the business unit. The focus at this level is on information system integration and operational efficiency of the particular business unit. It relies on providing structural solutions to important customer problems by providing value-added benefits. Parties engage in ongoing relationships to secure valuable resources that they would not be able to acquire more efficiently elsewhere (Morgan, Crutchfield, and Lacey, 2000).

Our proposed level two relationship (structural level) corresponds with level three in Berry and Parasuraman's (1991) framework. While stronger than level one relationship, structural relationship can lose its competitive advantage quickly in a dynamic market environment. This is because it focuses on operational processes and therefore can soon be imitated by competitors. For example, the Electronic Data Interchange (EDI) system that once defined Wal-Mart's core competence vis-à-vis P&G soon became the norm in the retail industry (Slater and Narver, 1995; Varadrajan and Cunningham, 1995). For customer retention programs to sustain competitive advantage, it must possess value, be rare, be imperfectly imitable, and not easily be substitutable (Barney, 1991). Hennig-Thurau and Hansen (2000) make a strong point that relationship marketing cannot be limited to tactical and operative activities but demands a wider reconsideration of the organization's values and norms by including the strategic and organizational dimensions. Therefore, while stronger than level one relationship, it is limited in its impact since the degree of customization and potential for competitive advantage is medium to high (Berry and Parasuraman, 1991). This leads to:

P27 Level two of relationship is focused on information system integration and operational efficiency at the business unit level and is limited in its impact since the degree of customization and potential for competitive advantage is medium to high.

Level Three of Relationship (Strategic). Level three of relationship in our framework is added to better reflect current forms of relationship net-

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works. We add level three–strategic bond–where value added benefits are provided by both relational partners rather than by one partner (see Table 2) at the firm level. In other words, partners enter into a strategic alliance by pooling in skills and resources to achieve one or more goals linked to the strategic objectives of the cooperative firms. The strategic linkage binds the two firms far beyond providing structural solutions (which are often geared toward tactical and operational efficiencies), to important strategic problems (Hennig-Thurau and Hansen, 2000).

The resource advantage theory of competition (Hunt, 1999; Hunt and Morgan, 1996) is grounded on the premise that (a) firm resources are heterogeneous and imperfectly mobile and (2) intra-industry demand is substantially heterogeneous thereby resulting in diversity in sizes, scopes, and levels of profitability of firms. Because firm resources are heterogeneous and relatively immobile, some firms will have a comparative advantage, which then results in competitive advantage and superior financial performance. Unlike operational benefits, strategic bonds are difficult to imitate by competition, and therefore, sustainable.

A level three structural relationship is forged in order to make strategic decisions to enter new domestic and global product-market domains and exploit and explore skills and resources to the benefit of the alliance partners. This level of relationship includes technical licensing, joint R&D, product, and technology development, manufacturing-marketing alliance, etc. (Varadarajan and Cunningham, 1995). There is recognition of the mutual benefits of linking each other's value chain, in sharing resources, knowledge bases and capabilities to achieve strategic objectives. This level of relationship, therefore, has a high to very high potential for customization and competitive advantage. Hence, we have:

P28 Level three relationship is characterized by a strategic bond, where value added benefits are provided by both relational partners, and it has a high to very high potential for customization and competitive advantage.

RELATIONSHIP MARKETING AND MARKETING MIX STRATEGIES

Product Strategy

For the practice of effective relationship marketing, a customer-centric approach will need to emerge. Co-creation marketing in-

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volves both the marketers and the customers who interact in the design, production, and consumption of the product or service (Sheth et al., 2000). It enables and empowers customers to aid in product design and production. If relationship marketing is to be effective, firms must recognize their customers are co-creators in a boundless organization (Gummesson, 1998). For example, General Motors plans to allow customers to customize an automobile that will be manufactured to their specifications. The extent of co-creation marketing depends upon customer-specific knowledge the firm is able to generate and disseminate across the organization.

Relationship Marketing has impacted product policy through mass customization rather than mass or segment standardization. Modern information technology allows firms to individualize their products or services according to the varying needs of their customers (Pine, 1993). It should be noted that mass customization as a product strategy does not originate from a product-centric approach. Rather, it is the result of following a customer-centric approach, which is substantively aided by information technology (Sheth et al., 2000).

Relationship Marketing focuses beyond the core product or service to the augmented product or service. Meyer and Blumelhuber (2000) emphasize the role of value-added services in an era characterized by product homogeneity in the core product. The service dimensions of service quality have been given special emphasis in the context of relationship marketing (Bitner, Booms, and Tetreault, 1990). Many mature industries characterized by slow growth have meager capacity for differentiation based on core products. Services add a new dimension to augment the product. These services add augmented value to the core products and help differentiate from competitive offerings (Peck et al., 1999). More importantly, value-added services are used as strategic levers to gain customer loyalty. Value-added services win customer loyalty by prolonging and intensifying the relationship by increasing the number of contacts. These build up effective barriers to change such as in long-term "contracts." Sometimes, value-added services are used to improve an offer and balance out weaknesses in the core product.

In the context of strategic alliance, relationship marketing is further strengthened by exploiting the power of brand names of the partners–i.e., using a co-branding strategy. Co-sharing powerful corporate brand names results in brand leveraging and competitive advantage (Aaker, 1991). For example, Delta Airlines and American Express have capitalized on the power of co-branding through their Sky Miles program. Therefore, we propose:

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P29 For relationship marketing is to be effective, firms must recognize their customers are co-creators in a boundless organization.

P30 Mass customization, facilitated by technology, can be an effective relationship marketing tool.

P31 Value-added services win customer loyalty by prolonging and intensifying the relationship by increasing the number of contacts.

P32 Strategic alliances formed by co-branding can be effective in strengthening relationships.

Pricing Strategy

Firms entering into relationship marketing need to anticipate extensive customer transactions. Relationship-Marketing firms can reduce their overall marketing costs by investing up front in technology, which will reduce variable or transaction costs in the future (Sheth et al., 2000). Databases, the repository of relationship marketing information, have high initial fixed costs but low transactional costs. Sharing infrastructures such as the Internet can further reduce the fixed costs.

Firms can take advantage of such extremely low unit cost by adding value to the customers–that is value-based pricing. Relationship Marketing is centered on the application of price differentiation strategy with the understanding that price should correspond to customer lifetime values–i.e., the estimation of the net present value of the current and future potential of various customers or customer segments (Berger and Nasr, 1998). In other words, pricing should be based on the value provided over the long term by the firm balanced by the net present value of the future streams of revenue rather than simply based on current demand-supply factors. Several price functions for each level (stage) of relationship based on customer satisfaction and trust appears to be a promising pricing mechanism (Hennig-Thurau and Hansen, 2000).

Sheth et al. (2000) argue that the role of marketing is shifting from the traditional demand management (where price and promotion were used to stabilize demand) to supply management where supply is rapidly managed to meet changes in demand. While price related benefits such as discounts and other immediate benefits are useful in the initial stage of the relationship (i.e., level one relationship), these may lead to "cold" loyalty rather than true customer commitment. In terms of pricing we have:

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P33 Relationship-Marketing firms can reduce their overall marketing costs by investing up front in technology that will reduce variable or transaction costs in the future.

P34 Relationship Marketing implies the application of price differentiation strategy with prices that correspond to customer lifetime values.

P35 Price related benefits such as discounts may be useful in the initial stage of the relationship but are dysfunctional in the long run.

Place (Channel) Strategy

The control issue in channel relationship marketing is now characterized by normative and contractual control mechanisms rather than authoritative control. Normative control involves a shared set of implicit principles or norms learnt from past interactions that coordinate the activities performed by the parties and govern the relationship. Norms extend to different facets including the fairness norm (shared interests), open-ness norm (exchange of proprietary information), and flexibility norm (ability to alter prior commitments). Normative control mechanisms are accepted and adhered to by both parties and are based on trust unlike the authoritative control mechanism where unilateral power is used to dictate the other party.

Similarly, contractual control mechanisms have been introduced into relational networks wherein terms and conditions are defined either unilaterally or bilaterally via negotiations. As the relationship develops, psychological contracts will replace formal legal contracts and personal relationships will become more important than role relationships (Weitz and Jap, 1995). However, relationships between the manufacturer and the intermediary work effectively when they are highly dependent on each other such as investment by one party on transaction-specific assets which results in high switching cost (Frazier and Antia, 1995; Ganesan, 1994). In general, relationships between channel partners form and develop well when there is perceived balance, harmony, equity, and mutual support, rather than coercion, conflict, and domination (Oliver, 1990).

One qualifying statement to the growing interest in channel relationships is the fact that relational cost-benefit analysis may not justify relational exchange under all conditions. For example, one distinction of the channel relationship from other types of relationships is the presence of multiple relationships with competitive suppliers, which might

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limit the trust and commitment inherent in channel relationship. Frazier (1999) cautions the growth of multiple channels as antithetical to the development of channel relational marketing. He argues that several conditions moderate the transaction-relational continuum (e.g., industry life cycle stage, channel systems), thus calling for further research in this important area. This leads to the following place propositions:

- P36 In relationship marketing, normative control based on openness and trust characterizes all aspects of a channel relationship.
- P37 As the relationship develops, psychological contracts will replace formal legal contracts and personal relationships become more important than role relationships.
- P38 Relationships between channel partners form and develop well when there is perceived balance, harmony, equity, and mutual support, rather than coercion, conflict, and domination.

Promotion Strategy

Personal Selling and Sales Management. Salespeople play a key role in the formation of long-term buyer-seller relationship. The role of salespeople in the partnering role is to build and maintain long-term customer relationships by creating value rather than just solving customer problems or making a sale. This is effectively done by deploying sales teams and developing its leadership and conflict management skills rather than merely motivating individual salespeople to influence customers by adapting to their needs (Weitz, Castleberry, and Tanner, 1998; Wotruba, 1991). The parties focus on long-term outcomes for the relationship–expanding the pie–rather than short-term outcomes-splitting the pie.

As the relationship evolves, managing conflict between buyer and seller will assume greater importance than influencing customers. If handled and managed well, conflicts can have a positive influence on relationships by clarifying differences in assumptions and stimulating interest in new approaches (Weitz and Bradford, 1999). Similarly, organizing sales teams with highly motivated members centered around customer groups or key accounts will become the norm rather than individual salespeople targeting customers around geographical or product groups. For example, P&G reorganized its sales forces by product categories to multi-functional teams of salespeople assigned to specific customers. For the relationship to mature and be successful, relationship management teams must possess sophisticated knowledge of buyers as

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well as problem solving and conflict management skills (Weitz and Bradford, 1999). It is important for the relationship manager to have multi-functional experience in leading teams as opposed to traditional salespeople with good customer knowledge only. Finally, sales teams performance assessment has to be designed that captures both behavioral measures (share of customers) and attitudinal measures (satisfaction, trust, and commitment). Therefore, we state:

P39 The role of salespeople in the partnering role is to build and maintain long-term customer relationships by creating value rather than just solving customer problems or making a sale.

P40 If managed well, conflicts can have a positive influence on relationships by clarifying differences in assumptions and stimulating interest in new approaches.

P41 Organizing sales teams with highly motivated members centered around customer groups or key accounts will become increasingly popular.

P42 Sales teams performance assessment will be done by using both behavioral measures (share of customers) and attitudinal measures (satisfaction, trust, and commitment).

Advertising. Unlike personal sales, which occur in real time and space between real people, advertising occurs in the media, which simulates real-life attitude and behavior (Abrams, 1993). Relational advertisements focus on developing closeness and intimacy with the consumer by appealing to their emotional needs. A caring firm demonstrates altruism rather than a demand for reciprocity. Caring and giving are qualities of intimate relationships evidenced by qualities of affection, warmth, and protectiveness (Perlman and Fehr, 1987). Relationships are maintained by focusing on the firm's record of dedication and tradition to the consumer (Stern, 1997).

Duncan and Moriarty (1998) developed a communication-based model for managing relationships–the need for integrated communication and the demand for interactive communication. In relationship-based marketing, communication pervades beyond the short-term "persuasion" traditionally used in transaction-based marketing. Communication is integrative in nature and emanates from everything a firm does. It is not limited to marketing mix strategies; rather, it includes internal and external communication at all levels of the organization. For example, a firm's hiring practices and environmental policies have communications dimensions that cue important brand relationships

(Schultz, Tannenbaum, and Lauterborn, 1993). Its role becomes more pronounced in the services sector where communication sits at the core of marketing activities. Communication is also interactive as opposed to the traditional "one-way" persuasion.

The notion of shared understanding is important to relationship marketing. Hutt, Walker, and Frankwick (1995) make the point that departments within an organization must develop a shared language that reflects similarities in members' interpretation, understanding, and response to information. The element of feedback in communication, greatly facilitated by the convergence of media and technology, has enhanced the quality, quantity, and speed of feedback. This interaction becomes the hallmark of the paradigm shift in marketing and communication (Duncan and Moriarty, 1998) leading us to propose that:

P43 Relational advertisements focus on developing closeness and intimacy with the consumer by appealing to their emotional needs.
P44 In relationship-based marketing, communication pervades beyond the short-term "persuasion" and is integrative in nature and emanates from everything a firm does.
P45 All departments within an organization must develop a shared language that reflects similarities in members' interpretation, understanding, and response to information.

IMPLEMENTATION STRATEGIES FOR RELATIONSHIP MARKETING

Profitability and Propensity–Customer Markets

A new emerging perspective on relationship marketing has been profitability and success in this mutually beneficial partnership. Berry (1995) admonishes that all customers do not offer relationship potential and as such dual strategies–relationship and transactional–should be mounted. Firms balance a portfolio of relationship strategies rather than rely on one type (Bensaou, 1999). A fundamental aspect of long-term relationship is customer retention. It is far less expensive to retain a customer than to acquire a new one (Reichheld and Sasser, 1990). For example, it has been estimated that a customer who has been with a bank for five years is far more profitable than a customer who has been with a bank for one year (Sheth and Sisodia, 1995). Customer bonding results

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in customer loyalty, which then results in growth and profitability for the firm (Diller, 2000).

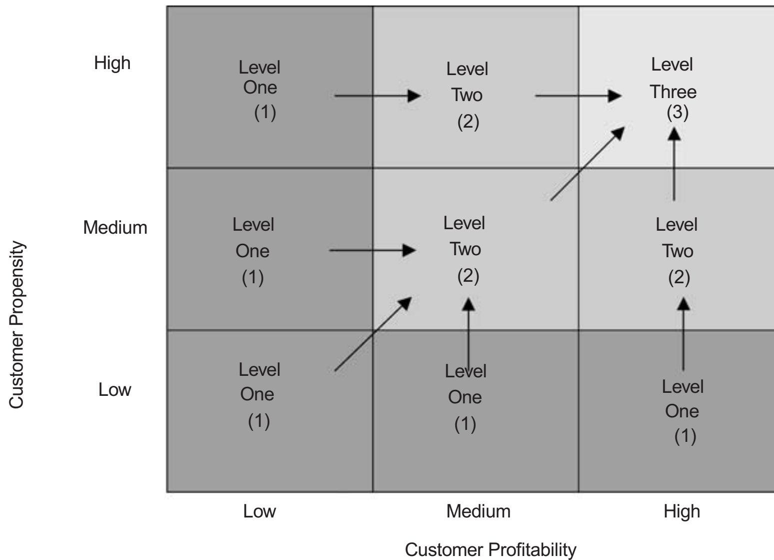
In the new paradigm, the focus is shifting from the profitability of products to the profitability of customers. The reality is that it is customers that generate profits and it is products that create costs (Peck et al., 1999). The key is to be able to identify high-intensity relationship customers who have the potential to contribute high profitability to the firm. We again emphasize that intensive relationship marketing is not intended for every customer. Rather, it should be confined to customers with high profit potential.

By definition, a successful relationship needs to examine the needs of both partners. Therefore, the other dimension of intensive relationship marketing is the customer's propensity to enter into a long-term relationship. The presumption is that customers will recognize the benefits and the value of customization that will accrue by engaging in a relationship. In business-to-business marketing, the need for value enhancement and customization is reflected in strategic alliances and joint ventures (Peck et al., 1999). In consumer marketing, there is also a growing need for mass customization reflected in direct marketing and database marketing (Pine, 1993).

Combining these two dimensions–customer profitability to the company and customer propensity for relationship marketing–yields several possible implementation outcomes. Drawing from our earlier discussion of the three levels of relationship marketing, we categorize these two dimensions at three levels–low, medium, and high. Table 3 depicts the matrix of several implementation strategies based on the two dimensions.

A level three relationship should be confined to those customers with high profit potential and who show a high propensity for a relationship by actively seeking customized solutions. Conversely, a level one relationship should be implemented for customers who show a low profit potential or a low customer propensity (dark shaded "L" in the table). The bottom right cell (high on profitability and low on propensity) customers should be retained through loyalty and reward programs. Future efforts may be directed in converting the current functional relationship into a structural relationship. On the other hand, the top left (high on propensity and low on profitability) customers may not justify a high level of customization currently. Rather than giving up the opportunity, the challenge may be to find ways to enhance their profitability through cost-engineering the value delivery system or encouraging them to establish a single-source supply relationship rather than multiple sourcing. In general, customers in the bottom left cell (low on profitability

TABLE 3. Implementing Relationship Marketing



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and low on propensity) would be entertained primarily by transactional marketing with occasional level-one relational incentives. However, as circumstances change in the future, a long-term strategy should be to move them into the second level of the relationship.

Customers in the middle of the categories–medium in profitability and propensity–should be beneficiaries of level two of relationship marketing. It is level-two customers who should be given priority for a strategic move into level-three category in the short-term. These are candidates that already have an operational collaboration with the firm and would therefore be relatively easier for them to enter into a strategic relationship. Finally, the top right cell (high on profitability and propensity) should be reserved for customers with highest profit potential and who actively seek customized solutions and strategic partnerships. While it is possible that there may be only a small percentage of customers in this category, the strategic bonds would lead to sustainable competitive advantage and profitability.

It should be noted that the preceding classification is not to be used to make discrete decisions since several factors will moderate the final decision. Rather, it serves as a good starting point to categorize customers

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so that different relationship strategies can be simultaneously employed. It would seem appropriate to have different types of relationship strategies for different types of customers. The choice of a relationship strategy would depend upon several additional variables such as industry and firm specific factors, product and market factors, transaction-specific factors, etc. However, at the highest level, firms can align their generic strategies to the various stakeholder groups by appropriate relational strategies. Therefore, we posit:

P46 All customers do not offer relationship potential and as such dual strategies–relationship and transactional–should be adopted.
P47 In relationship marketing, the focus is shifting from the profitability of products to the profitability of customers.
P48 Combining customer profitability to the company and customer propensity for relationship marketing yields several possible implementation outcomes.

Generic Strategies–Stakeholder Markets

Porter's generic strategies of Cost leadership and Differentiation (Porter, 1985) can be applied to the stakeholders identified in order to implement appropriate relational strategies. The emphasis on each of the stakeholders identified–namely, supplier markets, customer markets-channel intermediaries and end users, competitive markets, external influence markets, and internal markets–will be a reflection of the broad generic strategies of the firm.

Cost leadership strategy is gained by performing most activities at a lower cost than competitors while offering a parity product to a market or segment (Day and Wensley, 1988). Such organizations would follow an internal culture of "cost consciousness" and "lean thinking." Internal markets will be approached with a focus on total quality management and continual improvement to achieve operational efficiency. The supplier markets will also be given high priority since for many firms the cost of materials and supplies is a major proportion of the total cost. Similarly, customer markets-intermediaries will need to be managed closely with a high relationship bond (e.g., structural level of relationship).

Differentiation strategy is gained when some value-adding activities are performed that leads to perceived superiority along dimensions valued by customers. Differentiation can be provided in superior service, brand name, innovative features, and superior product quality. These

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organizations stress continual innovation, entrepreneurship, R&D, and product quality. For these activities to be profitable, the customers must be willing to pay a price premium that exceeds the added costs of superior performance (Day and Wensley, 1988). In the new paradigm, firms are faced with a challenge to focus on intangible assets such as knowledge and skills that deepen and extend stakeholder relationships (Gordon, 1998).

In order to foster a culture of innovation and entrepreneurship within the organization following a differentiated strategy, the internal markets should recruit highly skilled and enterprising personnel. The supplier markets is another important stakeholder. In many industries, supplier led innovation has led to breakthroughs in design and functionality. Lewis (1995), in his study of companies like Chrysler and Motorola, found the following benefits: on-going cost reductions, quality improvements, shrinkage of design cycle times, increased operating flexibility, faster customer response system, enhanced leverage with technology, and powerful competitive strategies. Similarly, where markets are characterized by technological and competitive uncertainty, strategic alliances with the competitor markets offer the best alternative to circumvent market entry barriers, especially in international markets (Sengupta and Perry, 1997). A high level of relational strategy would therefore be warranted. Our discussion in this section leads us to:

P49 Cost leadership strategy implies:

a. Internal markets will be approached with a focus on total quality management and continual improvement to achieve operational efficiency.
b. The supplier markets will also be given high priority since for many firms the cost of materials and supplies is a major proportion of the total cost.
c. Customer markets-intermediaries will need to be managed closely with a high relationship bond.

P50 Differentiation strategy implies that:

a. Firms must focus on intangible assets such as knowledge and skills that deepen and extend stakeholder relationships.
b. Internal markets should recruit highly skilled and enterprising personnel.

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CONCLUSION

The purpose of this paper was to propose a broad framework of relationship marketing using the stakeholder approach. Based on all existing frameworks available in the literature, we find Peck et al. (1999) framework to be most comprehensive in coverage of the constituent groups. While keeping the robustness of the content and the number of stakeholders in the Peck et al. framework, the authors propose a juxtaposition of the configuration to better reflect current trends. The proposed modification restores the separate stakeholder status owing to the business-to-business market, end user market, and competitor market. We retain the internal market and expand its scope to include recruitment market, external market, and the supplier market. The Peck et al. referral market is subsumed under both customer and internal markets. The proposed framework also extends the concept of strategic alliances to all constituent markets rather than just the supplier market.

This paper re-examines the strategic and expanded role of the traditional marketing mix strategies in the light of the relationship paradigm. This dimension of relationship marketing has been largely neglected in the early discussion, although it has received some attention in recent years (Hennig-Thurau and Hansen, 2000). The authors also examine the implementation strategies involved in relationship marketing for the stakeholder markets in general, and the customer market in particular. Given the expanded scope and deeper level of integration of the firm with stakeholders, we propose a modification of the Berry and Parasuraman (1991) framework on the levels of relationships. The new level (strategic level) added is due to the recent growth in strategic alliances. Since all customers do not offer the same level of relationship potential, firms need to customize the implementation of relationship strategies. It is also important to modify the level of relationship in light of changing conditions. Under-designed relationships need to be sponsored due to potential benefits and be positioned for a higher level of relationship (Gadde and Snehota, 2000).

The paper finally concludes with the influence of firm generic strategies on the level of relationship with the stakeholders. It is argued that not all stakeholders would receive equal weighting. Rather, the weighting (level of relationship) of the stakeholders would depend upon the firm level generic strategies, among other factors. Several of the propositions we have derived are fertile areas for future research investigations. We hope that our paper will spark more research examining the factors that influence the level of relationship within each stakeholder group separately as well as all stakeholders taken jointly.

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