

**Information Technology and Relationship Marketing in an inter-firm context:
implications for research**

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Abstract

The focus in the relationship marketing literature is often on retaining customers, and the use of face-to-face relationships. Although the use of technology in business is continually increasing and consequently, limited research addresses the impact of technology on relationships. While it is accepted that trust is necessary for relationships (Morgan and Hunt, 1994) there is little evidence to suggest what impact technology has on these relationships, other than value adding (Stone and Woodcock, 1997). This paper reviews the impact of technology on relationships and concludes with a series of research propositions for an exploratory study. Due to the higher perceived risk of purchasing services, and increased importance on trust, this paper particularly focuses on Relationship Marketing in a service context.

Information Technology and Relationship Marketing in an inter-firm context: implications for research

Introduction

Relationship Marketing is a key part of marketing, particularly within a business-to-business context (Kandampully, 2003) and when services are offered, rather than goods (Berry, 2002). The intangible nature of services makes them difficult to evaluate prior to service and increases perceived risk (Murray and Schlacter, 1990). Building trust is, therefore, imperative, because if a customer trusts a service provider, they are likely to return (Berry, 2002). Though many studies consider trust in business relationships (Jiang, Henneberg and Naude, 2009), there is little understanding to how the use of Information Technology impacts on trust. The question remains does the removal of face to face contact when Information Technology is utilised enhance or reduce trust, or is there very little impact?

This paper first reviews the Relationship Marketing literature and, in so doing, highlights the importance of trust in these relationships and the mutual benefit of alliances. It then discusses the role that computer mediated environments can play in the facilitation or removal of trust in inter-firm relationships. The paper concludes with implications for this in the literature, and presents a number of propositions to be investigated in the authors' proposed research.

Relationship Marketing

Relationship Marketing, particularly relevant in services marketing (Möller and Halinen, 2000) requires the establishment of trust and commitment (Morgan and Hunt, 1994).

The literature provides an abundance of definitions of Relationship Marketing, with over fifty published definitions (Dann and Dann, 2001). With many authors attempting to define Relationship Marketing over the years, it is evident that there are definitely commonalities between the definitions. Harker (1999) undertook a content analysis of definitions evaluating 26 definitions of Relationship Marketing. The definition he settled on encompasses all necessary key words judged by a series of academic evaluators. This definition is as follows:

“Relationship Marketing includes tasks undertaken to “Identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by mutual exchange the fulfillment of promises” Gronroos, 1994: 9. Harker’s (1999) content analysis also indicated that there are seven conceptual categories, or functions, of Relationship Marketing, including the creation of the relationship, development and maintenance, interaction, commitment, emotional content, and ultimately, output.

Relationships may develop into alliances (Hunt, Lambe and Wittman, 2002), however not all relationship behavior will lead to an alliance. Interfirm relationships create value for both parties (Ryssel, Ritter, Gemünden, 2000). Alliances are often common in inter-firm relationships, because alliance success emerges when it provides both parties with a competitive advantage (Hunt, Lambe and Wittman, 2002) giving both parties a reason to commit to the alliance. If a customer feels they have worked with the marketer, then there may indeed be an alliance, compared with a relationship, providing more commitment and mutual benefit. It is important to understand the various categories of alliances, therefore, as this may be viewed by the customer as a “superior” kind of relationship. There are four categories of business alliances. The first is a Resourced Based View, which is about both

parties bringing complementary resources to the relationships. The second is a Competence Based View and focuses on the role of alliance-management capabilities. The third is Relational Factors and considers the various characteristics of the alliance relationship. Finally a Competitive Advantage enables both parties the opportunity to market offerings with superior value than their competitors (Hunt, Lambe and Wittman, 2002). The link between Relationship Marketing and alliances is particularly focused on “relational factors” where communication, commitment and trust are important (Hunt, Lambe and Wittman, 2002).

If the goal of an alliance is a competitive advantage, then it is essential that firms strive to have such a committed relationship where possible. Trust is necessary prior to there being a commitment (Morgan and Hunt, 1994) and alliances and relationships require commitment (Hunt, Lambe and Wittman, 2002). However, it is not known what impact the use of Information Technology (IT) has on the possibility of building trust, commitment and ultimately alliances. Furthermore, the literature does not appear to indicate if an alliance is superior to a relationship, nor whether any relationship can become an “alliance”. Our first research proposition, therefore, is drawn from these unanswered questions.

P1: Commitment in an alliance is stronger than in a relationship, however technology has an impact on alliance commitment.

Relationship Marketing is particularly relevant in a services context. Services are based on interactive marketing, and, therefore, direct contact is necessary (Gronroos, 2004; Bitner, 1995), relying on Relationship Marketing principles. In fact, services marketing was the discipline that first introduced Relationship Marketing in the 1970s after debates that the marketing mix was insufficient for services (Möller and Halinen, 2000) requiring more interactive processes. Customers view their perceptions of quality on the basis of satisfaction with their relationship (Berry and Parasuram, 1993; Möller and Halinen, 2000), again highlighting the importance of Relationship Marketing. In services, customers are active participants in the service delivery process, and trust and ultimately commitment are essential constructs (Kelley and Davis, 1994). Relationship Marketing is, therefore, viewed as essential in business-to-business relationships, and particularly within services. While the establishment of trust can build relationships, there is little understanding as to how the use of information technology can impact on relationships.

Trust and Computer Mediated Environments

Trust is a key area of Relationship Marketing, particularly important within services marketing due to the intangibility of services (Berry and Parasuraman, 1991) increasing perceived risk, relative to goods (Murray and Schlacter, 1990). Trust reduces risk in a relationship (Nykänen, Järvensivu and Möller, 2009). Trust has been heavily researched in the past, however this is mostly from a Business to Consumer (B2C) approach (Jevons and Gabbott, 2000), rather than a B2B approach. Relationship Marketing is most essential in a B2B context due to the fragile nature and importance of inter-firm relationships (Dibb and Meadows, 2004) and therefore it is essential to consider trust in a business to business context. Trust exists where one party has confidence in an exchange partner's reliability (Morgan and Hunt, 1994) and looks at the integrity, honesty and the reliability of the other party (Dwyer and Tanner, 2002). A shared belief of similar and compatible interests (Laaksonen, Pajunen and Kulmala, 2008) is essential prior to building relationship commitment (Morgan and Hunt, 1994; Dwyer and Tanner, 2002). This is why it is such a key part of Relationship Marketing. Relationship commitment, defined as “an exchange

partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (Morgan and Hunt, 1994:23) is viewed as essential for both Relationship Marketing and Services Marketing (Berry and Parasuraman, 1991). However, commitment is only fostered through trust, because trust leads to repeat patronage by customers (Berry, 2002), and this loyalty can foster commitment.

Trust can be developed through shared interactions over time (Young and Wilkinson, 1989), and is related to a number of elements such as competitive advantage and satisfaction (Ratnasingam and Pavlou, 2003). The literature indicates there are many types of trust, but in business relationships, there are two key types of trust– trading partner trust and technology trust (Ratnasingam and Pavlou, 2003). Trading partner trust is about trust between the network participants. When purchasing from other businesses, either for use within the business, or for resale, issues such as product quality, delivery issues and prices are concerns for buyers, while sellers are concerned with payment (Violino, 2002). Technology trust indicates a trust in the technology infrastructure to conduct interfirm exchanges (Ratnasingam and Pavlou, 2003). Obviously when considering the impact of technology on relationships, the concept of technology trust in particular needs consideration.

Relationships are increasingly important, particularly in a business-to-business context, yet at the same time the use of information technology (IT) is increasing in business practice. What impact does the use of IT have on business relationships? Literature indicates the importance of “getting it right” with technology (Stone and Woodcock, 1997; Joseph, 1998; Lang and Colgate, 2003). Customers dissatisfied with the amount of technology use in their relationships (that is, they would prefer to use more or less) perceive their relationship to be weaker than those satisfied with the amount of technology use (Lang and Colgate 2003). This research, undertaken in a B2C context, is an important finding, indicating the impact of IT use on relationships but does not provide an overall understanding of contexts where it is appropriate and how much is “enough”. Does it not matter at all, is it simply considered a value added service? It is, therefore, essential for organisations to consider customer satisfaction with IT as ultimately this will contribute toward satisfaction with the relationship and no doubt commitment to the relationship – all key constructs in Relationship Marketing. This leads to our second Research Proposition:

P2: Increased use of information technology impacts on relationships, particularly in terms of trust and commitment

Services such as automated package shipping, internet banking and airline log in could easily be perceived as complementary services which enhance relationships. From a business-to-business context, additional services such as goods ordering and tracking systems could also be viewed as value adding. However, if this became the only choice, customers are frustrated. Furthermore, if something went wrong with these services, customers require human beings to assist (Bitner, Ostrom & Meuter, 2002). The literature indicates that too much technology or too little is problematic in relationships (Lang and Colgate, 2003). In business today, it appears some technology is necessary. Indeed, even in the implementation of Relationship Marketing, technology is a requirement. In addition to traditional direct contact with customers, customer orientated service systems and a database is necessary (Gronroos, 1996). With the understanding, therefore, that technology is necessary; the question for every marketing practitioner becomes “how much is enough?” Is there some kind of ratio marketers can work toward with a balance between face to face contact and self-service? Does it differ depending on the industry or demographics of the customer?

Additionally, do different customers have different requirements? Our third research proposition addresses this point:

P3: Customer specifics (demographics and industry) impacts on requirement for face to face contact in a B2B context

Relationship Marketing, from a services marketing perspective, emphasises the importance of personal relationships between a marketer and customer. This is in direct contrast from that of database marketing where relationships are distant and more often carried out through mass communication (Möller and Halinen, 2000). Are self-service technologies to be considered similar to database marketing, or are they more similar to personal interactions? If direct contact with customers is required in Relationship Marketing, as indicated above, does this mean that relationships conducted through self-service cannot be deemed to be “Relationship Marketing”? It would appear so, yet the literature also suggests that Relationship Marketing is necessary in services marketing (Morgan and Hunt 1994; Berry and Parasuraman, 1991) in order for an organisation to be successful. Perhaps self-service technologies fall into their own category entirely, or perhaps “interaction” is sufficient, even if this interaction is not carried out face-to-face. Though it is accepted that face to face contact is necessary in business markets (Leek and Turnbull, 2004, Cunningham and Turnbull, 1982) it is essential to consider this in the current technological environment. This is something that has not been addressed in the literature and needs addressing in further research, leading to our fourth research proposition.

P4: Interaction is necessary in relationship marketing, regardless of whether this interaction is face-to-face or not

While there is some suggestion that IT use within relationships could have an impact (Jones, 1996), there is little discussion of the direction of the impact. There is evidence to suggest that IT has a positive impact on business relationships (Stone and Woodcock, 1997; Joseph, 1998), but this appears to be when used as “complementary” to a face to face relationship, rather than when SSTs are forced. Furthermore, there is some suggestion in the literature that that IT does not inhibit the creation of trust, satisfaction or commitment central to Relationship Marketing (Comer, Mehta, and Holmes, 1998).

To summarise - technology could have a negligible impact on firms relationships with customers, but there has been very little research done in this area (Lang and Colgate 2003). The research undertaken seems to indicate that when an additional service is offered, there is little or no impact on relationships, however, there is no discussion of the impact on relationships when technology forms a major part of the relationship, nor when the relationship is a key business-to-business relationship.

Conclusions

This paper has evaluated some of the literature relating to Relationship Marketing, and reviewed the literature on the impact of IT on business relationships. With a particular focus on services marketing, this paper sought to commence an understanding of the impact IT has on Relationship Marketing. The paper highlighted the current debate in the literature about the impact of IT on relationships, with no consensus reached as to the benefit of computer mediated environments on establishing positive relationship outcomes. When Self-Service Technology fails, the customer is often dissatisfied with both the failure and resultant action by the firm, the way in which these problems are solved can have large implications for customer evaluation of a firm (Tax, Brown and Chandrashekar, 1998; Richheld, 1993) as well as impacting on the overall perception the customer has about the brand.

The nature of trust in relationships and its ability to develop commitment is increasingly understood by marketers (Morgan and Hunt, 1994), yet there is little evidence to suggest what the use of IT does to important business-to-business relationships. While the literature suggests that complementary IT services can add value to a relationship (Stone and Woodcock, 1997; Joseph, 1998), there seems to be a requirement for face-to face contact to ensure trust, and ultimately relationship commitment, something all marketers are striving for. Through the literature analysis, the following research propositions have been highlighted:

- P1: Commitment in an alliance is stronger than in a relationship, however technology has an impact on alliance commitment.
- P2: Increased use of information technology impacts on relationships, particularly in terms of trust and commitment
- P3: Customer specifics (demographics and industry) impacts on requirement for face to face contact in a B2B context
- P4: Interaction is necessary in relationship marketing, regardless of whether this interaction is face-to-face or not

Services are largely intangible ; trust and the resulting evaluation of the firm by a customer is fundamental in reducing perceived risk. Problem solving must be effective to build trust and commitment in the relationship (Morgan and Hunt, 1994). Therefore, where there are problems with technology, it is essential for marketers to deal with these issues effectively so as to maintain a positive relationship. Furthermore, dissatisfaction with the amount of technology use in a relationship (too much or too little) impacts on the customer's perception of the service delivery. This means that a complete understanding of technology requirements is necessary in order to implement effective Relationship Marketing.

The next step in our research is to conduct an exploratory study into the role that computer mediated environments play in the maintenance of trust in relationship marketing. Qualitative methods will be used so as to understand how the marketer can facilitate trust within a relationship using such environments and will further investigate the research propositions highlighted above. Further research will also consider the differences between alliances and relationships, and whether the technology impact is similar or different in differing contexts.

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