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RELATIONSHIP MARKETING AND MANAGING VALUE DELIVERY TO CUSTOMERS**

The purpose of this article is to analyse current literature and theoretical point of views about appropriateness of traditional and relationship marketing in hypercompetitive environment of mature markets. Review of literature provides insights into main characteristics of different schools of thought about relationship marketing. Conceptual framework of value creation and delivery to customers is exhibited. Three schools of thought and a number of different conceptual/research models for managing customer satisfaction are found. Research models for identification key areas for improvement of customer satisfaction are prerequisite for managing customers' loyalty and retention. Topic is actual and interesting for practitioners since traditional marketing approach is getting less effective and general model of relationship marketing has not been defined yet. Directions for further research are suggested. On academics, researchers and practitioners are challenges of adjustment and improvement of existing models to specific business situation, to unique purpose, customers and contexts, as well as further search for general model of relationship marketing.

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Ključne riječi: transaction marketing, relationship marketing, hypercompetitive market, value delivery to customers, customers' satisfaction

1. Introduction

Emergence of hypercompetitive markets reinforces the discussions should traditional marketing concept be replaced with a new one. At the beginning of new millennium, when markets are highly competitive and saturated, where there are general lacks of means for differentiation between products, rises overall the need for new, more relevant and appropriate marketing concept. New sources of opportunities are realized in relationships, networks and interactions.

Different authors: academics, researchers and practitioners propose different solutions; obviously it is needed more time for consensus to be made on new marketing concept and a new paradigm. In the meantime marketing practitioners are trying to apply new approaches combining traditional and relatively new marketing relationships approaches in order to increase attractiveness of their offer or to add value.

Managing relationships implies the widespread customer knowledge and understanding throughout business system and breaking walls between functions in firms; it requires collaboration of all; marketing, management, operations, human resources etc. Concept of creation and delivery of values to customers should be communicated and adopted, as well as thorough researches about customers' perceptions and expectations done. Models and evaluation systems are needed for managing value delivery to customers and improvements of current and future business prospects.

Purpose of this article is to provide overview of different theories, concepts and research models of relationship marketing. The article should contribute to accumulation of knowledge and insights into different types of relationship marketing. For practitioners the article provides certain guidance in search of refreshed or more appropriate marketing concept since traditional marketing approach is getting less effective. Directions for further research are suggested.

The paper consists of three parts; in the first part it elaborates the shift from transaction marketing to relationship marketing with different points of views of different authors, definitions and three major schools of thought on relationship marketing. Second part is dealing with principle of managing relationship through cycle of creation value to customers; from employees' satisfaction and loyalty, delivering value for effort towards customers' satisfaction and loyalty. The third part suggests research models for identification key areas for improve-

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

525

ment of customers' satisfaction as a prerequisite for managing customers' loyalty and their retention.

2. From Transaction Marketing towards Relationship Marketing

From the historical perspective, relationship marketing is not completely new invention. Before industrial revolution and mass production, businesses were characterized by personal services and direct contacts with the store owners. The store owner took care, serviced and fulfilled individual customers' needs as the pioneer in relationship marketing, (Peppers and Rogers, 1995.). Once mass production was set on place, companies intensified their focus on the selling their products and services. However, it was realized that sales orientation does not reflect potential future sales. It becomes evident that a focus on sales transactions essentially inhibits a firm's long-term orientation, as it does not provide foundation for future sales. This long-term orientation is essential if a firm intends to succeed in changing global marketplace, in which competition denotes a surplus of products, services, employees, suppliers, retailers etc. (Kandampully and Duddy, 1999., p.317-318).

According to Grönroos (1994.b, p.18), the term "relationship marketing" was first introduced by Berry in a context of services marketing. He continued "managing relationship is, however, nothing new in business. Many entrepreneurs do business by building and managing relationships and always have, but without using the term relationship marketing".

Christopher et al. (1991.) indicate the changing focus of marketing – from that of transaction oriented to that of relationship oriented. They propose an integration of customer service, quality and marketing through relationship marketing. According to them relationship marketing will assist the firm to: focus on customer retention, offer superior product/service benefits, pursue long term vision, emphasize exemplary customer service, engender customer commitment, ensure that quality is the concern of all (Kandampully and Duddy,1999., p.319).

Factors that contributed to development and growth of relationship marketing importance according to Buttle (1996.), Peppers and Rogers (1995.) and Bitner (1995.) are: increasingly global and intense nature of competition, more demanding and sophisticated customers, increased fragmentation of consumer markets, rapidly changing customer buying patterns, continuously increasing standards in quality, inadequacy of quality in itself to create sustainable competitive advantage, influence of technology in almost all products and services and unreliability to traditional marketing e.g. decline in overall advertising effectiveness (Kandampully and Duddy, 1999., p.319).

Zeithaml and Bitner (1996.) identify five important benefits an organisation will gain by adopting the concept of relationship marketing: increased purchases, reduced costs, free advertisement through word-of-mouth, employee retention, the lifetime value of the customer. (Kandampully, and Duddy, 1999., p.319).

In a highly competitive market, (Berry, 1982.) argues that a firm's success is heavily dependent on its ability to retain the customer base. He highlights the firm's strategic advantage in maintaining the customer base, as opposed to focus merely on attracting new customers, since customer retention is substantially less expensive than customer acquisition (Heskett et al., 1990; Berry 1995.). Furthermore, (Grönroos, 1981.) calls for re-evaluation of the word "customer" within a business system, and proposes the concept of "internal customer" referring to the firm's employees, who service the external customers. Berry (1995.) contends that internal relationships pave the way for the building of external customer relationships. Gummesson, (1996; 1997.) makes a point that a firm's long-term success is dependent on the networks of relationships that it is able to maintain with various stakeholders; both inside and outside the organization.

According to Grönroos (1994.b), 4Ps represent the marketing paradigm of the 1950s and 1960s which has shown to be insufficient in the hypercompetitive environment of the 1990s and on. He elaborates that widely accepted concept of marketing mix was helpful for consumer packaged goods but it was not completely applicable to all markets and situations; it does not fit to the reality of industrial marketing or service marketing (Kandampully and Duddy, 1999., p.319). Also, there is a shift of focus; from one transaction at a time, with different customers, to building relationship with existing customers. Grönroos (1994.b) suggests relationship marketing as a main marketing concept for 1990s and new paradigm. Evolution from transaction oriented marketing towards relationship oriented marketing is shown in Figure 1.

Some authors suggest supplementing with more Ps conventional four Ps. This represents marketing mix plus perspective (whereby change is understood as incremental rather than step-wise).Various supplements have been proposed (Brookes, 1988; Gordon, 1998; Judd, 1987), for example:

- Customer service,

- Role of staff,

- New ways of measuring and managing customer relationships and service delivery (Lindgreen, et al., 2004., p.677).

Academics and researchers are offering plenty of different views, models and definitions on relationship marketing. Different authors (with different sociopolitical and academic background) and schools have different opinions about the meaning, essence and therefore about the definition of relationship marketing.

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

527

Figure 1.

THE MARKETING STRATEGY CONTINUUM

The strategy continuum	Transaction marketing	Relationship marketing
Time perspective	Short-term focus	Long-term focus
Dominating marketing function	Marketing mix	Interactive marketing (supported by marketing mix activities)
Price elasticity	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominating quality dimension	Quality of output (technical quality dimension) is dominating	Quality of interactions (functional quality dimension) grows in importance
Measurement of customer satisfaction	Monitoring market share (indirect approach)	Managing the customer base (direct approach)
Customer information system	*Ad hoc* customer satisfaction surveys	Real-time customer feedback system
Interdependency between marketing, operations and personnel	Interface of no or limited strategic importance	Interface of substantial strategic importance
The role of internal marketing	Internal marketing of no or limited importance to success	Internal marketing of substantial strategic importance to success
The product continuum	◆—Consumer packaged →◄—Consumer → ◄—Industrial→◄—Services—◆ goods durables goods	

Source: Grönroos, C. (1991; 1994.b, p.11)

Grönroos (1994.b, p.9) defines relationship marketing as: "Marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises." "Such relationships are usually but not necessarily always long term. Establishing a relationship, for example with a customer, can be divided in to two parts: to attract the customer and to build the relationship with that customer so that the economic goals of that relationship are achieved".

Harker (1999.) makes list of 26 plus one different definitions on relationship marketing. His conclusion is that more time is needed for development of coherent understanding of fundamental concepts and real integration of relationship marketing theory. Harker points following Grönroos definition representing best in terms of coverage and underlying conceptualisation of relationship marketing: "Relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfilment of promises" (Harker, 1999., p.16).

528

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

Table 1.

TYPES OF MARKETING CLASSIFIED BY
MARKETING EXCHANGE DIMENSIONS

	Transactional perspective		**Relational perspective**		
	Type: transaction marketing	*Type*: database marketing	e-marketing	interaction marketing	network marketing
Purchase of exchange	Economic transaction	Information and economic transaction	Information-generating dialogue between a seller and many identified buyers	Interpersonal relationships between a buyer and seller	Connected relationships between firms
Nature of communication	Firm "to" mass market	Firm "to" targeted segment or individuals	Firm using technology to communicate with and among many individuals (who may form groups)	Individuals "with" individuals (across organizations)	Firms "with" firms (involving individuals)
Type of contact	Arms-length, impersonal	Personalised (yet distant)	Interactive (via technology)	Face-to-face, interpersonal (close, based on commitment, trust and co-operation)	Impersonal – interpersonal (ranging from distant to close)
Duration of exchange	Discrete (yet, perhaps over time)	Discrete and over time (occasional yet personalised)	Continuous (but interactivity occurs in real time)	Continuous (ongoing and mutually adaptive, may be short or long term)	Continuous (stable yet dynamic, may be short or long term)
Formality in exchange	Formal	Formal (yet personalised via technology)	Formal (yet customised and/or personalised via interactive technology)	Formal and informal (i.e. both a business and social level)	Formal and informal (i.e. both a business and social level)

Source: Coviello et al. (1997; 2001.), according to Lindgreen et al. (2004., p.679)

Characteristics of different marketing approaches based upon marketing exchange and managerial dimension are shown in Table 1 and 2. Coviello et al. (1997; 2001.) compare differences in transaction and relationship marketing,

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

529

where database marketing, e-marketing, interaction marketing and network marketing represent different examples of relationship marketing (Lindgreen et al. 2004., p.679 – 680).

Table 2.

TYPES OF MARKETING CLASSIFIED BY MANAGERIAL DIMENSIONS

	Transactional perspective	Relational perspective			
	Type: transaction marketing	*Type*: database marketing	e-marketing	interaction marketing	network marketing
Managerial intent	Customer attraction (to satisfy the customer at a profit)	Customer retention (to satisfy the customer, increase profit, and attain other objectives, such as increased loyalty, decreased customer risk)	Creation of IT-enabled dialogue	Interaction (to establish, develop and facilitate a co-operative relationship for mutual benefit)	Co-ordination (interaction between sellers, buyers and other parties across multiple firms for mutual benefit, resource exchange, market across etc.)
Managerial focus	Product or brand	Product/brand and customers (in a targeted market)	Managing IT-enabled relationships between the firm and many individuals)	Relationships between individuals	Connected relationships between firms (in a network)
Managerial investment	Internal marketing assets (focusing on product(service, price, distribution, and promotion capabilities)	Internal marketing assets (emphasizing communication, information and technology capabilities)	Internal operational assets (IT, website, logistics) functional systems integration	External market assets (focusing on establishing relationship with another individual)	External market assets (focusing on developing the firms position in a network of firms)
Managerial level	Functional marketers (e.g. sales manager, product development manager)	Specialist marketers (e.g. customer service manager, loyalty manager)	Marketing specialist (with) technology specialists, senior managers	Employees and managers (from across functions and levels in the firm)	Senior manager

Source: Coviello et al. (1997; 2001.), according to Lindgreen et al. (2004., p.680)

530

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

Pluralistic approach (Brodie et al., 1997; Egan, 2001; Lindgreen et al. 2000; Möller and Halinen, 2000.) assumes combination of transaction and some types of relationship marketing; database marketing, e-marketing, interaction marketing or network marketing (Lindgreen, et al., 2004., p.678).

Kotler and Keller (2005.) describe new framework of marketing: holistic marketing. It recognizes that everything matters with marketing: customers, employees, partners, competition, as well as society as a whole and that marketing needs a broad, integrated perspective in order to perform effectively. Holistic marketing has four components; relationship marketing, integrated marketing, internal marketing and performance marketing.

Integral part of relationship marketing approach is concept of promise and trust. Firm is giving the promise to attract customers but it also needs to fulfil it in order to build relationship. If a firm is preoccupied with giving promises, it may attract new customers but if promises are not kept, relationship will neither be maintained nor enhanced.

Trust includes dimension of belief and behavioural intention. "The resources of the seller (personnel, technology and systems) have to be used in such a manner that the customers trust in the resources involved and, thus, in the firm itself is maintained and strengthened…there has to be a belief in the other partners trustworthiness that results from the expertise, reliability or intentionality of that partner. Second, it views trust as a behavioural intention or behaviour that reflects reliance on the other partner and involves uncertainty and vulnerability on the part of the trustor", (Gronroos, C., 1994.b, p.9).

Palmer et al. (2005., p.317-322), suggest three schools of thought on relationship marketing; Nordic, the IMP Group (Industrial or International Marketing and Purchasing Group) and Anglo-Australian school. The comparison of main components of major schools and transaction marketing is exhibited in Table 3.

Nordic school, (countries strongly associated with relationship marketing), originated from the field of services marketing (Gummesson et al., 1997.). The Nordic school appears in late 1970s. Researchers and practitioners developed concept of service as a means of improving the quality of the relationship, stimulating customer loyalty and extending the customer life-cycle (Grönroos, 1990; Grönroos and Gummesson, 1985.).

The IMP Group links to Scandinavia and originated in 1970s. It consists of group of researchers focused on understanding of organisational relationship in business to business markets. The IMP Group studies the interaction between firms on the basis that transactions are not isolated events but part of a continual stream of engagement (Gummesson, 1987.).

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

531

Table 3.

COMPARISON OF MAIN COMPONENTS OF MAJOR SCHOOLS OF RELATIONSHIP MARKETING VERSUS TRANSACTION MARKETING

Key component	Transaction marketing	IMP group	Nordic school	Anglo-Australian approach
Basis	Exchange 4Ps	Relationship between firms	Service	Service/quality/ marketing
Time-frame	Short-term	Short and long-term	Long-term	Long-term
Market	Single, customer	Multiple, network	30 markets with four categories	Six markets
Organisation	Hierarchical, functional		Functional and cross-functional	Cross-functional, Process-based
Basis of exchange	Price	Product/service, information financial and social	Less sensitive to price	Perceived value
Product/ quality dimension	Product/ technical/ output	Technological	Interaction quality	Function of value and cost of ownership
Measurement	Revenue market share	Customer profitability	Quality, value, customer satisfaction	Customer satisfaction
Customer information	*Ad hoc*	Varies by relationship stage	Individual	Customer value and retention
Internal marketing			Substantial strategic importance	Integral to concept
Service	Augmentation to core product	Close seller/buyer relations	Integral to product	Basis for differentiation

Sources: Ajio (1996.), Christopher (1996.), Christopher et al. (1991.), Ford (1994.), Grönroos (1994.a, b), Kotler (1992.), Ravald and Gummesson (1996.), Turnbull et al. (1996.), according to Palmer et al. (2005., p.322)

Anglo-Australian school sees traditional marketing as being built on quality and service, and thereby enhanced to form a comprehensive approach to delivering increasing levels of value to customers in enduring relationships with the firm (Christopher et al., 1991.). This is regarded as a holistic or integrative approach to business, operating in a cross-functional way to provide customer satisfaction and increasing levels of value.

Grönroos (1994.b, p.9) concludes that relationship marketing is still in its infancy as a mainstream marketing concept, although it has established itself as an underlying paradigm in modern industrial marketing and service marketing. Even if relationship marketing has not attained the status of new paradigm, it is at least a well-ordered and distinct concept (Palmer, et al., 2005., p.316).

3. Delivering Value to Customers

If in the experience economy[1] the product is just "an excuse" for delivering experience, there is much to be learned from the experiences of service businesses – how to retain and boost existing relationships and build new ones. In this respect, management, employees and customers generate relationships which impact long term prospects of business. Growth potential may be determined as a firm's capabilities to manage the internal and external relationships (through dimensions of satisfaction and loyalty).The creation and maintenance of customer satisfaction and customer retention over an extended period of time cannot happen by chance.

The management's "service role" for the organization is not limited only to providing clear guidance and reasoning as to who, what, why and how, until something needs to be done, but begins with understanding customers' needs, wants and levels of satisfaction. Managing firm's capabilities will contribute to better performance through more efficient utilization of resources and improved flow of the supply chain. Leadership capabilities will affect the internal side of the value cycle through the creation of firm's culture, employee satisfaction and loyalty. Therefore, firms have to invest a lot of effort in order to create positive attitudes, awareness of the significance of customer loyalty to the firm, and constantly remind employees of their valuable contribution to value chain creation.

Since loyalty is a characteristic of a subjective human relationship, the firm must develop processes that will be able to provide the same level of experience for the customer, no matter who personally serves the customer. When supplying customers on a regular basis, offering a standard and superlative experience while serving them has proved to be the biggest challenge for managing customer relationship. The received wisdom is "to manage yourself before you manage others"; therefore, managing customer relationship begins with managing internal customers e.g. employees.

This affects value for effort perceived by customers, representing the beginning of the external side of the cycle. Perceived value affects customer satisfaction and customer loyalty.

Value creation cycle[2] is starting with research of customers' (external and internal) perceptions and expectations, then adjusting internal side of value creation (people, processes), continuing with delivery value to customers and ending with customer satisfaction and loyalty.

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[1]   More about experience economy at Pine and Gilmore, (1998.).
[2]   More in depth about value creation concept at Serrano, J. (2005.).

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

533

However, search for continuous value improvement has certain financial and resource constraints under which delivery of products and services have to be executed. That is the next reason why customer expectations have to be properly understood and the gaps between expected and perceived value identified.

Some authors suggest that organization capabilities of gathering, analyzing and interpreting customer data should be added into firm's core competences. Organizations should tailor their customers' measurement and management systems approach to unique organization purpose, customers and contexts (Johnson and Gustafsson, 2000., p.19).

Gap analysis helps managers to identify key areas and to determine priorities. Provided information enables decision making process about resource allocation and cost-effective ways of closing gaps.

In industries where there is an intermediate role between providers and customers, e.g. trade sectors, relationships become even more complex. In practice it is very difficult to define who in a firm is responsible for customer relationships, sales, marketing, marketing services or top management. A step further is to consider relationships among the organisation, trade and customers, and there is mutual sharing of experience and expectations. But then reality seems to be too complex to be covered by a single model.

3.1. Employee Satisfaction and Loyalty

People always measure (consciously and unconsciously, intentionally and no intentionally) value for effort whether they are customers or employees. When this ratio is favourable, (perception of value is greater than invested effort) satisfaction is greater, and the chances of developing a loyal relationship are higher. Satisfied employees feel good about their job, clients, firm, colleagues and bosses. Satisfaction and loyalty have a strong impact on personal contribution and therefore to business competitiveness.

The behaviour of satisfied employees contributes to the process of creation and performance of memorable experiences for the customer, and the value chain creation has been switched on.

Delivery of the service element of value propositions to customers depends on the competences and commitment of employees. Satisfied and loyal employees make substantial contributions to value performance and to the firm's goals. If a firm succeeds in creating, developing and maintaining special emotional bonds with its employees, and makes them satisfied and loyal, then similar results of customer satisfaction and loyalty can be achieved.

People's contribution at work depends on their natural abilities, talents acquired at the work place and attitudes. Attitudes are a driving force for great performance. Positive attitudes, a passion to learn and do things well, make a substantial difference to results achieved in a certain time period. They are source of willingness to do things well, and affect how people think and feel about their work and the firm.

3.2. Value for Effort

In the process of exchange, customers measure the value of the outcome with the effort invested to obtain this value. In most cases this program is run unconsciously, but represents the logic of a customer's interest. A firm that is aware of customers' expectation has more chances for gain. Therefore, the improvement of delivered value for effort to customers is a right focus for the firm to increase customer satisfaction and loyalty.

Value for effort, or offer attractiveness is influenced by tangible (offer itself and price) and intangible elements (emotional bond, inconvenience and risk perception).

Firm's strategy should work out how to offer the best value for effort for targeted market segments. The objective is improving offered value without increase of firm's costs. The challenge of creating much more interesting value with no additional cost requires usage of out-of-the-box, fresh and brave thinking. Every opportunity for the improvement of a pleasant customer experience should be monitored and utilized carefully. Minor improvements in every contact with any part of the firm, service, or product could end up with positive change in customer value perception.

Price is the firm's reward for an originally designed value proposition. The experience economy provides a return for the creation of memorable experiences to customers.

3.3. Customer Satisfaction and Loyalty

Customers who feel good when they have done business with the firm are satisfied customers. The level of satisfaction will influence the future relationship with the firm. The most important customer segment for the firm consists of highly satisfied and loyal customers.

Satisfaction consists of objective and subjective elements. Objective elements rely on the tangible side of the offer, subjective ones are connected with

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

535

a firm's personality, warmth and human atmosphere and the way customers feel about the firm. Therefore, management should be aware of importance of tangible and intangible part of the offer in order to manage customer satisfaction.

Perceptions and expectations are the most important factors which influence customer satisfaction and feelings toward the firm. If expectations are greater than perceived value, the difference in (higher) customer expectations and (lower) perceptions is an area of customer dissatisfaction.

In the experience economy, the abilities to create memorable and distinctive experiences become main business drivers, before products and services. The experience economy provides a stage to companies in the creation and sale of memorable experiences engaging customers in a unique way (Pine and Gilmore, 1998.). Pleasant or unpleasant memories of these experiences and feelings affect propensity to return to these businesses. Experiences shape buying patterns, significantly influencing the lifetime value of customers.

A repetitive buying pattern creates retention rate over a period of time - a measure of customer loyalty. Loyal customers' base, those who repeats their buying activities, forms a significant competitive advantage for a business. True loyal customers create a market share base that is unassailable by competitors. Loyal customers constantly come and purchase from the firm and are willing to share positive experience testimony. The costs of sales to existing customers are much lower than the costs of sales to new ones.

While learning how to increase the number of loyal customers, firms should be aware of desertion, and learn as much as possible about the reasons why it happens. Desertion should be monitored for each customer segment and continuously tracked over a certain period of time. The time period depends on how often customers make purchasing decisions for certain kinds of products or services. Besides the cause of desertion, it is also important to pay attention to the flow of customer migration; where deserters go, and where new customers come from.

The challenge for relationship management is reducing the desertion rate of clients close to the natural client loss rate (reasonable natural client loss rate is considered between 3 to 5% annually, Serrano, 2005.). The average life span of customers may be computed as a function of desertion rate, for instance, a desertion rate of 25% could represent the average customer life span of 4 years. It shows the significance of customer loyalty and significance of the potential of every existing customer to the firm. Focus on creation and retention of a larger number of happy customers who repeatedly come back over long period of time has a significant impact on firm's profitability and growth potential.

While focusing on "loyalising" customers, firms must not neglect the process of attracting new ones. An existing customer base cannot last forever, that is why it is not enough just to retain satisfied customers, but also to interest, sell

536

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

to, satisfy and retain new ones. The future of a firm is defined both by the firm's abilities to attract and retain customers. Which comes first? The ability to retain satisfied customers makes solid arguments for attracting new ones. This happens when management understand the cost of attracting new customers, and loss of income caused by losing existing customers. This also means relationship creation through value and trust, based on customer satisfaction and constant adaptation to the evolution of customers' needs.

Successful firms, irrespective of their nature or size, have one thing in common – the loyalty of their customers. Loyalty, however, is never guaranteed by the customers. A customer's interest in maintaining a loyal relationship is grounded on the firm's ability to anticipate customer's future needs and offering them before anyone else (Kandampully et al., 1999., p.322).

4. Service Quality Models and Managing Customer Satisfaction

If the relationship is based on the value for effort ratio, or on a combination of products, services and experiences, then there is room to introduce service quality models for relationship analysis. To manage relationship starting point and evaluation model should be defined.

Measurement of service quality enables organizations to monitor, maintain and improve service quality. Better understanding of various dimensions and the way they affect overall service, enable organizations to design a more efficient service delivery process, better allocation of resources and ultimately better service to external customers.

Information on service quality gaps can help managers to understand where performance improvement can best be targeted. The largest negative gaps, combined with assessment of where expectations are highest, facilitate prioritization of performance improvement. Importance of customer satisfaction implies a responsibility to act to eliminate possible customer dissatisfaction. If expectations are greater than performance, the difference in customer expectations and perceptions is an area of customer dissatisfaction. Therefore, usage of the service quality gaps model could help determine and implement necessary improvements in order to retain satisfied customers and employees.

Academics, researchers and practitioners have been studying service quality components and models past few decades (Leonard and Sasser, 1982; Cronin and Taylor, 1992; Gammie, 1992; Hallowell, 1996; Chang and Chen, 1998; Gummesson, 1998; Lasser et al., 2000; Silvestro and Cross, 2000; Newman, 2001; Sureshchander et al., 2002; Guru, 2003 etc.). The reason is increasing impact of services on business performance, lower costs, customer satisfaction, customer loyalty and

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

537

profitability. The aim of these models is to enable the management to understand and enhance the quality of the organization and its offering (Seth, et. al., 2005., p.913).

Seth et al. (2005., p.914) make a review of different service quality models in the period 1984-2003. These studies provide direction on how to explore/modify the existing service quality concepts with the changing world scenario; shift from conventional personalized services to IT- based services (e.g. web enabled services) more represented in the recent years. They reported nineteen conceptual service quality models which emerged as s consequence of different point of view (of different authors) about services. Conceptual models in service quality enable management to identify quality problems and thus help in planning for the launch of a quality improvement program thereby improving the efficiency, profitability and overall performance.

Reviewed models are divided in two main groups: category A and B. Category A; Gap model/SERQUAL-based: include those models which are developed either using gap model or its modification as base or scale using SERVQUAL items or its modification for measurement of service quality. Category B covers other models which are different from the gap model. Key features of monitored models in two categories are presented in Table 4.

Presented models were further analyzed toward set framework (Seth, et al., 2005., p.915). Framework of study includes: identification of factors affecting service quality, suitability for variety of services in consideration, flexibility to account for changing nature of customers' perceptions, directions for improvement in service quality, suitability to develop a link for measurement of customer satisfaction, diagnosing the needs for training and education of employees, flexible enough for modifications as per the changes in the environment/conditions, suggests suitable measures for improvements of service quality both upstream and down stream the organization in focus, identifies future needs (infrastructure, resources) and thus provide help in planning, accommodates use of IT in services, capability to be used as a tool for benchmarking. According to set parameters study has shown that none of the models completely satisfied all of them.

Another issue emerging from the review is the identification of internal and external customers. From service delivery point of view, one needs to clearly understand distinction between these two classes of customers. This issue further gains strength, as it is expected that the key to the success of any organization depends on the dedicated employee base represented by the internal customers. Unless internal customers are satisfied, it may be difficult to visualize good quality service for the external customers. The role and commitment of top management in delivering quality service to its customer also gains importance in the light of growing competitive pressure and globalization of services (Seth, et al., 2005., p.939).

Table 4. CATEGORIZATION AND KEY FEATURES OF THE SERVICE QUALITY MODELS

Category A: Gap model, SERVQUAL based

No.	Author (year)	Model	Respondents /test audience	Method of collection of data	Scale used	Method of analysis	Measurement of service quality addressed through
SQ2	Parasuraman et.al. (1985)	Gap model	Ranged from 298 to 487 companies /telephone, securities, brokerage, insurance, banks, repair and maintenance	Survey questionnaire approach	Seven-point Likert scale	Principal-axis factor followed by oblique rotation	**Ten dimensions (reliability, security, access, responsiveness, communication, tangibles, courtesy, credibility, competence, understanding/knowing)
SQ4	Brogowicz et.al. (1990)	Synthesized model of service quality		*		Analysis not reported	Through technical and functional quality defining planning, implementation and control tasks
SQ5	Cronin and Taylor (1992)	Performance only model	660/banking, pest control, dry-cleaning, fast food	Survey questionnaire approach	Seven-point semantic different-tial scale	Principal-axis factor followed by oblique rotation and LISREL	22 items same as SERVQUAL but with performance only statements
SQ7	Teas (1993)	Normed quality and evaluated performance model	120/randomly selected from discount stores	Personal interview		Qualitative assessment, correlation and *t*-test	Limited subset of SERVQUAL items (two items each of five dimensions)
SQ12	Sweeney et.al. (1997)	Retail service quality and perceived value model	1016 respondents /electrical appliances stores	Survey questionnaire method	Seven-point semantic different-ial scale	Confirmatory factor analysis using LISREL VIII	Functional quality through five SERVQUAL items and technical quality through one SERVQUAL item
SQ14	Dabholkar et.al. (2000)	Antecedent mediator model	397/ undergraduate and postgraduate students	Telephone interviews (conducted twice)		Regression structural equation modelling using LISREL	Through measurement of reliability, personal attention, comforts and features

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JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

539

Category A: Gap model, SERVQUAL based

No.	Author (year)	Model	Respondents /test audience	Method of collection of data	Scale used	Method of analysis	Measurement of service quality addressed through
SQ15	Frost and Kumar (2000)	Internal service quality model	724 at a different levels/Singapore airline staff	Personal interview and questionnaire	Seven-point Likert	Principal component factoring, reliability coefficient and split half coefficient	SERVQUAL dimensions
SQ16	Soteriou and Stavrinides (2000)	Internal service quality DEA model	194 responses/26 bank branches	Survey questionnaire approach		Data envelope analysis	Measurement of perceptions of customers using SERVQUAL-based instrument
SQ18	Zhu et. al. (2002)	IT-based model	185/bank customers (with past experience of using IT service options)	Survey questionnaire approach	Seven-point Likert	Factor analysis and structured equation modelling LISREL VII	SERVQUAL items with perception only statements

Category B: other models

No.	Author (year)	Model	Respondents /test audience	Method of collection of data	Scale used	Method of analysis	Measurement of service quality addressed through
SQ1	Grönroos (1984)	Technical and functional quality model	219/bank, insurance, restaurants, shipping, airline, cleaning, car rental companies, travel agencies, public sector institutes	Survey questionnaire approach	Five-point Likert	Basic statistical analysis (information compilation and presentation)	Functional and technical quality
SQ3	Haywood-Farmer (1988)	Attribute service quality model		*		Analysis not reported	Physical facilities and processes, people behaviour and conviviality, professional judgement
SQ6	Mattsson (1992)	Ideal value model	40 guests while checking in and checking out/two large luxury hotels	Survey questionnaire approach	Seven-point Likert	Pearson moment correlation, pair wise intra- and inter- sample median test and Chi square test	Through 18 itemsof value and nine items of customer satisfaction

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540

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

Category B: other models

No.	Author (year)	Model	Respondents /test audience	Method of collection of data	Scale used	Method of analysis	Measurement of service quality addressed through
SQ8	Berkley and Gupta (1994)	IT alignment model				Analysis is not reported	The model does not cover the measurement of service quality
SQ9	Dabholkar (1996)	Attributes and overall affect model	505 undergraduate students/fast food setting	Scenario and questionnaire approach	Seven-point Likert	Confirmatory factor analysis and structured equation modelling using LISREL VII	Through three items measuring expected service quality specifically of ordering situation
SQ10	Spreng and Mackoy (1996)	Perceived quality and satisfaction model	273 undergraduate students	Survey questionnaire approach	Seven-point Likert	Confirmatory factor analysis and structured equation modelling using LISREL	Through desires, perceived performance, expectations and desired congruency (each comprising 10 attributes)
SQ11	Philip and Hazlett (1997)	PCP attribute model		*		Analysis is not reported	Pivotal attributes, core attributes and peripheral attributes
SQ13	Oh (1999)	Service quality, customer value and customer satisfaction model	545/two luxury hotels	Survey questionnaire approach	Six-point	Path analysis using LISREL VII	Through single item for perceived price and eight items for perceptions for hotel settings
SQ17	Broderic and Vachiraporn puk (2002)	Internet banking model	160 incidents on 55 topic episodes posted/UK internet web site community	Participant observation and narrative analysis		Qualitative approach	Through service setting, service encounter, customer expectation and image
SQ19	Santos (2003)	E-service quality model	30 focus groups comprising six to ten members	Focus group interviews/ discussion		Qualitative analysis	Through incubative and active dimensions

Notes: * Mainly conceptual models, not tested/validated
** later in 1988 and 1991 the authors proposed and revised 22-item, five-dimension service quality measurement tool SERVQUAL

Source: Seth, et al., (2005., p.940-942)

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

541

The review of these 19 service quality models (Seth, et al., 2005., p.946) highlighted various issues, debates, strengths and weaknesses pertaining to the models. It is noted that the models have a focus on only one link (i.e. either marketer to consumer or front-line staff to supporting staff). On other side, researchers (Caruana and Pitt, 1997; Reynoso and Moores, 1995. etc.) have continuously pointed out the positive correlation of internal service quality (considering all the processes and operations associated in delivery of product or service) with business performance and the service quality delivered to the customer (including the distribution, marketing and other support functions).

From the study of these models, (Seth, et al., 2005., p.946) key ingredients to service quality improvements are: clear market and customer focus, motivated staff, clear understanding of concepts of service quality and factors affecting the same, effective measurement and feedback system, effective implementation system, efficient customer care system.

The review of various service quality model revealed that the service quality outcome and measurement is dependent on type of service setting, situation, time, need etc. factors. In addition to this even the customer's expectations towards particular services are also changing with respect to factors like time, increase in the number of encounters with a particular service, competitive environment, etc. These demands for a continuous effort to learn evaluate and modify the existing concepts of service quality.

5. Conclusion

In hypercompetitive markets firms need new approaches to increase profit and sales. Saturation of markets and general lack of means for differentiation between products urge needs for more relevant and appropriate marketing approach. New sources of opportunities are realized in relationships, networks and interactions. Traditional transaction marketing with focus on attracting new customers is becoming less effective in highly competitive environment. Relationship marketing is concerned with both; attracting new but also retaining and developing relationship with existing customers (focusing on business value of satisfied and loyal customers). Rationale for broader usage of relationship marketing is that it can be several times less expensive and more effective to retain customers than to gain new ones in mature markets.

Existence of different school of thoughts could be explained through authors' recognition and commitment to a discipline through research, publications and practice (Palmer, et al., 2005., p. 317). In thise sense characteristics of traditional

542

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

marketing (transactional or 4Ps) approach could be compared with three predominant schools of relationship marketing Nordic, IMP Group and Anglo-Australian school:

Traditional marketing: 4Ps are basis for exchange, time frame is short, transaction is with single customer, price is dominant factor, marketing is function in the organization, quality is predominantly technical part of output, service is part of augmentation of core product, customer information are collected ad hoc and main measurement is revenue market share.

Nordic school (based on service field marketing) pleads for concept of service as a means of differentiation; improving quality of relationship, customer loyalty and customer life-cycle. It views marketing as a cross functional process and responsibility. The three processes are dominant: interaction, dialogue and value. Time frame is long term, quality is connected with interaction while price sensitivity is loosing on importance. Internal marketing is of strategic importance and measurement system is tracking quality, value and customer satisfaction.

IMP Group (focused on business to business markets) suggests that relationship between firms is a unit of analysis. Relationship is part of network of relationships, where appropriate selection and management of network partners could gain competitive advantage. When interaction process between buyers and sellers are created technical, social and economical issues are in focus. Time frame is both; short term and long term. Information about stage of relationship is collected and measurement is dealing with customer's profitability.

Anglo-Australian school forms a comprehensive approach to delivery of value to customers and enduring relationships with company. It is based on connection of marketing, quality and services. In creating value proposition six major stakeholder groups are defined (Christopher, et al. 1991.); customers, internal customers, referral group, group of influence, recruitment group and supplier/alliance group. Time frame is long term, organization is process based or cross functional. Base of exchange is perceived value. Internal marketing is integrated to concept. Customer satisfaction is key measure and information about customer value and retention are collected.

Pluralistic approach, certain combination of transactional and relationship marketing accommodated to business contexts and customers seems to be the most realistic option for majority of business; where traditional marketing is enriched with various types of relationship marketing (database marketing, e-marketing, interaction marketing and network marketing) depending on customers' preferences and priorities.

In the experience economy where product or service is just "an excuse" for delivering experience; management, employees and customers generate relationships which impact long term prospects of business. Managing relationships im-

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

543

plies share of knowledge and understanding of customers' needs, expectations and perceptions throughout all business system. It requires collaboration of all functions in order to deliver value that matters to customers and generate customer satisfaction and loyalty. Management and leadership capabilities as well as research and business models are needed to manage internal and external customers' relationships through dimensions of satisfaction and loyalty. Satisfied and loyal employees contribute to creation and delivery of value to customers. If customers' perceptions of delivered value are higher than their expectations, ground for satisfaction and loyalty is on place.

In industries where there is an intermediate role between providers and customers, e.g. trade sectors, relationships become even more complex. In practice it is very difficult to define who in a firm is responsible for customer relationships; sales, marketing, marketing services or top management. A step further is to consider relationships among the organisation, trade and customers, and there is mutual sharing of experience and expectations. But then reality seems to be too complex to be covered by a single model.

Every opportunity for the improvement of a pleasant customer experience should be monitored and utilized carefully. Minor improvements in every contact with any part of the firm, service, or product could end up with positive change in customer value perception. Thorough researches about customers' expectations and perceptions and prioritization of critical factors need to be done.

Gap analysis helps managers to identify key areas and to determine priorities. Provided information enables decision making process about resource allocation and cost-effective ways of closing gaps.

However, loyalty is never guaranteed by the customers. A customer's interest in maintaining a loyal relationship is grounded on the firm's ability to anticipate customer's future needs and offering them before anyone else. That is the next reason why customer expectations have to be properly understood and measured.

Article is attempt of providing insights into current literature and thoughts about relationship marketing. Provided overview of different theories, concepts and research models of relationship marketing should help practitioners in decision making about adaptation or combination of different marketing approaches. The intention is to help managers understanding and managing elements of value that matters to customers. This should enable easier decision making process and priorities settings for resource allocation.

Here comes direction for further research; to take into consideration evaluation of firms' ability to create and deliver value for anticipated (future) customers' needs (not current only). Research should track both; internal and external factors for current business success but also development of competences to spot and respond to future needs as well.

Still, there is no overall consensus on approach, unified concept and general model of relationship marketing. For academics, researchers and practitioners there are challenges of adjustment and improvement of existing models to specific business situation, to unique purpose, customers and contexts, as well as further search for general model of relationship marketing.

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JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
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545

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JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
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547

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548

JADRANKA IVANKOVIĆ: Relationship marketing and managing value delivery to customers
EKONOMSKI PREGLED, 59 (9-10) 523-548 (2008)

MARKETING ODNOSA I ISPORUKA VRIJEDNOSTI KUPCIMA

Sažetak

Cilj rada je analizirati postojeću literaturu i teorijska stajališta o prikladnosti tradicionalnog marketinga i marketinga odnosa u hiperkonkurentnom okruženju zrelih tržišta. Pregled literature osigurava uvid u glavne karakteristike različitih škola misli o marketingu odnosa. Izložen je konceptualni okvir kreiranja i isporuke vrijednosti kupcima. Tri škole misli i brojni različiti konceptualni/istraživački modeli za upravljanje zadovoljstvom kupaca su pronađeni. Istraživački modeli za identifikaciju ključnih područja za poboljšanja zadovoljstva kupaca jesu preduvjet za upravljanje lojalnošću i zadržavanjem kupaca. Tema je aktualna i zanimljiva praktičarima budući da tradicionalni marketing postaje sve manje učinkovit, a sveobuhvatan model marketing odnosa dosada nije definiran. Predloženi su mogući pravci za daljnja istraživanja. Na znanstvenicima, istraživačima i praktičarima je izazov prilagodbe i poboljšanja postojećih modela specifičnim poslovnim situacijama, jedinstvenoj svrsi, kupcima i kontekstu, kao i daljnja potraga za općim modelom marketinga odnosa.

Ključne riječi: transakcijski marketing, marketing odnosa, hiperkonkurentno tržište, isporuka vrijednosti kupcima, zadovoljstvo kupaca