

# The Evolution of Marketing Paradigm

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**Abstract:** The marketing paradigm made a dramatic shift from transactional marketing to relationship marketing in the mid to late twentieth century. It is of significance to explore in depth the logic behind these two marketing paradigms and their practical application. This paper elaborates on the marketing mix with its criticisms, one of the Marketing Management Theories that largely constitutes the transactional paradigm of marketing, illustrates the shift in marketing paradigm to relationship marketing, as well as using multiple examples to critically evaluate the use of relationship marketing in today's marketing practices.

**Keywords:** Service-Dominant Logic; Transactional Marketing; Marketing Paradigm; Marketing Mix; Relationship Marketing

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## 1. Introduction

Marketing theories and practices between the 1950s and the 1980s were in line with the transactional paradigm. The marketing mix is deemed to reflect the transactional paradigm of marketing. However, the paradigm has been transforming into relationship marketing since the 1980s. This paper will first analyse transactional marketing and marketing mix. Then, focusing on the paradigm shift, relationship marketing theories and their application in reality will be critically discussed.

## 2. The transactional marketing and the marketing mix

In this part, first, transactional marketing will be briefly described. Then, the relationship between the transactional paradigm and the marketing mix will be discussed. Finally, the marketing mix will be criticized.

Transactional marketing generally focuses on selling the product and maximizing profit, paying less attention to customer services, which means it is production-oriented. Moreover, this form of marketing tends to pursue short-term goals, because business is built on deals and long-term relationship building is underrated. In this single output trading model, the seller seems to seize the initiative while consumers are considered passive (Gronroos, 1994).

Marketing mix, an important marketing management theory, greatly contributes to the transactional paradigm. According to Gronroos (1994), it is a list of variables relevant to marketing which is also seen as a prescription for marketers. Kent (1986) argues that the managerial approach of marketing attaches great importance to structure rather than process. That is, the way to implement the transactional marketing concept is by using the marketing mix in to manipulate a mass market (Gummesson, 1987). What's more, the biggest thing that marketing mix and transactional marketing have in common is that they are both not customer-oriented but production-oriented. Additionally, Anderson (1982) argues that since the development of the marketing mix has been greatly influenced by microeconomics, it has the traits of being profit-maximizing, which is consistent with the connotations of the transactional paradigm. Focusing on monodirectional sales, the marketing mix can be seen as the toolbox of the managerial paradigm to perform a transaction.

Although marketing mix has served as a market-research tool to help companies make optimal marketing decisions, it has been criticized on all fronts. The criticism can be expressed through flaws in its theoretical foundation and its shortcomings in the application. The theoretical demerits of the marketing mix are noteworthy. Firstly, the use of marketing mix is based on the assumption that markets are homogeneous, but in reality, markets are heterogeneous. This inappropriate premise might neglect the different behaviour of buyers. For example, cars are right-hand driven in India while left-hand driven in America. Thus, it is too difficult to formulate such a standardized managerial paradigm in reality (Gronroos, 1994). What's more, Gronroos (1994) believes that the marketing mix is an incomplete list of groundless Ps largely based on empirical induction. A list can't cover all relevant marketing variables.

Drawbacks embodied in the practices of the marketing mix should be taken more seriously. To begin with, marketing mix does not apply to all marketing situations. Its narrow scope of application is reflected in the fact that the marketing mix is only beneficial to marketers of consumer-packaged goods since these marketers usually have less contact with customers (Gronroos, 1994) and the

products will be easier to sell without interaction with customers. Similarly, it can hardly be applied to customer-oriented marketing. Moreover, the marketing mix makes the sales methods more promotional to a large extent, and any marketing strategy that will boost recent sales could be implemented preferentially. Therefore, enterprises might overlook the shaping of corporate image and brand value.

### **3. Relationship marketing and its practice**

The transactional paradigm has been outdated, and customers are increasingly aware of all kinds of promotions. A turn toward relationship marketing is emerging in the marketing discipline.

Relationship marketing can be interpreted as attracting customers, and building and maintaining relationships with them. The producer perspective has switched to the customer perspective, and the goods-dominant view has shifted into the service-dominant view. This transformation implies that marketing focus has shifted from tangibles to intangibles, and the process of exchange has been more important than the items exchanged.

The service-centred view is notably important. The Service-Dominant (S-D) logic behind relationship marketing emphasizes integrating service into the product and adapting to the dynamic needs of customers. Yet value is created during the interaction process rather than solely during the service delivery, which means the service should be interactive (Grissmann and Stokburger-Sauer, 2012). Since productive capacity or service levels of most producers are level pegging due to the development of productivity, sustainable competitive advantage rarely lies in the physical production process, but in human knowledge, skills and other service strength. Therefore, companies are suggested to increase interaction with customers and build up their service strength, which would appear to be embedded within the improvement in service operation and technology.

A good service provider is the Hong Shan Hotel in Wuhan, China, which is known for its 'service tip card'. Once, one staff found that the guest's suitcase had lost a wheel. She promptly informed the engineering department to fix it and left a service tip card to remind the guest. Guests of this hotel receive not only room availability but also attentive service, which meets customers' dynamic needs consciously and is conducive to enhancing customer relationships. However, service should not be seen as value-added and auxiliary (Vargo and Lusch, 2004). It is not just for enhancing a good and its sales. For example, hotels include breakfast within their room rate. Software developers routinely update versions of their products. Meanwhile, some would argue that many innovative approaches to service are impersonal since businesses are likely to replace workers with machines such as ATMs in order to reduce costs.

Unlike the situation in the trading paradigm, consumers are no longer passive recipients. In addition to providing "the augmented product", it is vital to involve customers in the value co-creation process, which is central to S-D logic. Also, the importance of maximizing customers' involvement lies not just in a better meeting of their needs, but in contributing to expanding the market, because traditional standardized goods, being perishable, do not respond to consumer needs timely and might hamper marketability (Vargo and Lusch, 2004). Normann and Ramirez (1993) believe that co-producing products that mobilize customers are the key to value co-creation. One typical practice is customization. Another mentionable scenario is one in which the supplier offers an experience and the customer participates in the context to co-produce a sense of value experience. In Universal Studios Beijing, there are many movie characters played by real people and there are shops selling costumes, providing an immersive experience for customers. This model of co-creation of value has received an extraordinary response since within one minute the park was sold out on the day of opening. Yet in addition to interacting with consumers, companies should also focus on building their image.

Solomon (1992) indicates that collaboration exists in the network consisting of corporations and other parties such as customers and suppliers, which co-production embodies. The effective collaboration which is necessary for relationship marketing success requires commitment and trust (Morgan and Hunt, 1994). Commitment and trust theory describes that exchange partners believe the relationship is worth maintaining and they have confidence in each other. To become trustworthy, RM-mature companies should perform ethically and build a good corporate image, which can be achieved by holding adherence to corporate social responsibility, such as being environmental-friendly. Nonetheless, though plenty of corporations claim to be socially responsible, they may not care about social issues genuinely. After all, "the social responsibility of business is to increase its profits" (Friedman, 1970, p.173). Therefore, some of the practices of relationship marketing need to be looked at rationally.

### **4. Conclusion**

This paper mainly discusses the shift in the marketing paradigm. The transactional paradigm, marketing mix, the theories of relationship marketing and their application have been critically analysed. Gone are the days of purely transactional marketing; today marketing practices are relationship marketing underpinned by the S-D logic. Relationship marketing is what attracts and maintains customers and makes the business sustainable.

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