New Economic Sociology and Relationship Marketing: Parallel Development

By Zoya Kotelnikova

Laboratory for Studies in Economic Sociology; National Research University Higher School of Economics, Moscow, Russia, kotelnikova@hse.ru

This brief review continues a tradition of the European Electronic Newsletter “Economic Sociology” to introduce related disciplines to economic sociologists (Aspers, Darr, Kohl, 2007; Aspers, Kohl, Roine, Wichard, 2008; Aspers, Kohl, Power, 2008). This paper suggests a sociological insight into relationship marketing. The paper of Jagdish N. Sheth, Atul Parvatiyar, and Mona Sinha, who explore conceptual foundations and new research developments related to relationship marketing, is employed as a point of departure. Our review aims to demonstrate numerous interconnections between the new economic sociology and the flourishing discipline of marketing.

Common backgrounds

New economic sociology and relationship marketing can be viewed as peers. Both of them emerged in the early 1980s. The term “relationship marketing” was formally coined by Leonard Berry in 1983 (Berry, 1983), whereas the birth of new economic sociology occurred at the same time. The name “new economic sociology” was introduced in 1985 when the most cited sociological article, “Economic Action and Social Structure: The Problem of Embeddedness” by Mark Granovetter was published (Swedberg, 1997).

The emergence of relationship marketing and new economic sociology during the same period is not accidental but is derived from certain premises. First, the inclinations of economists toward math modeling and formal logical constructions provided a fertile breeding ground for related fields that included business and administration sciences, economic geography, economic anthropology, and economic sociology. These alternative perspectives studied economic institutions and processes as substantive phenomena in a variety of divergent forms that could not be confined to the universal models of mainstream economics. Second, national economies have changed dramatically since the end of the 20th century. The “wild” market was gradually being “domesticated” and was transformed from competitive and free to regulated and closed (Arndt, 1979). In such regulated markets, transactions are conducted in the framework of long-term relationships, and the identity of exchange partners is important. Furthermore, in many industries, the growing de-intermediation process and the significant shift in power balance from manufacturers to large trade companies emphasized the importance of buyer-seller relationships (Dwyer, Schurr, Oh, 1987; Weitz, Jap, 1995; Petrovic, Hamilton, 2011).

This shared understanding of a necessity to study the relational aspect of market exchanges undoubtedly contributed to the promotion of relationship marketing and new economic sociology as academic disciplines.

It is important to know that relationship marketing and new economic sociology also have some common theoretical roots. For example, the notion of “relational exchange,” which is popular in relationship marketing, originates from the sociology of law and contractual relationships (Macaulay, 1963; Macneil, 1980), which was inspired by Durkheianm sociology and economic anthropology (Malinowsky, 2005; Sahlins 1974). Such concepts as “power relations” and “exchange relations” are based on social exchange theory (e.g., Homans, 1958; Blau, 2009; Emerson, 1962, 1976; Cook, 1977; Molm, 2003) that is also rooted in economic anthropology and behavioral psychology. All of these concepts are certainly related to new economic sociology, although the latter covers a much wider range of intellectual traditions (Smelser, Swedberg, 1994).

The paper that is published in this issue by Jagdish N. Sheth, Atul Parvatiyar, and Mona Sinha reveals dramatic changes in the marketing research. During the second half of the 20th century, the focus of this research shifted from distributive functions to other aspects, and the customer became a central figure to whom the efforts and energy of other exchange parties were devoted. Additionally, brand loyalty and consumer retention were viewed as major points of concern for the commercial world (Boorstin,
2002: 230). The next step in the evolution of marketing research involved a transition from the idea of partner manipulation to obtain individual benefits toward the construction of symmetrical relationships aimed at obtaining mutual gains. Thus, over time, marketing increasingly began to focus on exchange relationships, and this new focus would bring it closer to the propositions and ideas of new economic sociology.

In his celebrated paper New Economic Sociology: What Has Been Accomplished, What Is Ahead? Richard Swedberg refers to some contenders in the race to fill the gap created by “mainstream economics’ failure to do research on economic institutions and processes” (Swedberg, 1997: 161–162). This list includes transactional cost analysis, game theory, agency theory, new economic sociology, the sociology of rational choice, and socio-economics. Remarkably, marketing research is not included in the list. Meanwhile, in their paper, Jagdish N. Sheth, Atul Parvatiyar, and Mona Sinha indicate that similar theoretical perspectives are being applied in relationship marketing: transactional cost theory, agency theory, relational contracting, social exchange theory, network theory, game theory, and interorganizational exchange behavior. However, their paper does not contain any sociological references. Despite their common intellectual roots, these two disciplines are disconnected and exist in parallel worlds.

Multiple forms of market exchange

It is critically important for marketing scholars to reject assumptions regarding the universality of economic exchanges. These scholars have further developed this idea, which is rooted in economic anthropology. It is widely accepted that market exchange per se can take many forms, such as just-in-time relational exchanges (Frazier, Speckman, O’Neal, 1988), hierarchical managerial transactions, recurrent contractual transactions (Ring, Van De Ven, 1992), contractual exchanges (Gundlah, Murphy, 1993), hybrid forms of exchange (Lefaix-Durand, Kozak, 2009), and embedded exchanges (Grayson, 1996). However, transactional exchanges vs. relational exchanges1 are presented as key opposing forms that constitute a type of continuum in which all possible intermediary forms of market exchanges can be placed between two extremes (Lefaix-Durand, Kozak, 2009). There is a significant amount of marketing literature demonstrating the great variety of market exchange relations. Similar ideas can be found in new economic sociology, but their representation is rather modest. For example, Wayne Baker and his co-authors present a typology of market orientations by dividing them into transactional and relationship orientations (Baker, 1990; Baker, Faulkner, Fisher, 1998). Brian Uzzi distinguishes between two elementary forms of exchange, including arm’s length and embedded relations (Uzzi, 1996).

Hybrid forms of exchange present another popular topic in two streams of literature. Remarkably, both marketing scholars and economic sociologists devote a significant amount of attention to relationship exchanges and tend to ignore or undervalue transactional exchanges. As Wayne Baker notes, “various studies have documented the mixed forms closer to hierarchy... much less is known about the mixed forms closer to a market pole...” (Baker, 1990: 595). Meanwhile, transactional exchanges exist in real practice though in marginal forms. A frequently cited example is “buying gasoline for cash at a busy self-service station in a strange town” (Macneil, 1980: 13). This ignorance of transactional exchanges supports the “hostile world” argument, which implies a principal opposition of economic and social spheres (Zelizer, 2005) when transactional exchange tends to be associated with a theoretical construct of an “ideal” market as presented in standard textbooks on microeconomics and relational exchange is linked to the concepts of social exchange.

Market exchange as a long-term process

An additionally important aspect of relationship marketing is that market exchange is conceptualized as a long-term process that begins with signing a contract and ends after the completion of all liabilities. The stability of market relations is treated as a guarantee that economic actors avoid risks of opportunism and malfeasance. Market exchanges are treated as ongoing processes that are divided into different stages and phases (i.e., initiation, continuation, and termination). In addition, from the relationship marketing perspective, a market exchange is conceptualized as a multidimensional concept (Dwyer, Shurr, Oh, 1987). Marketing scholars identify a number of diverse parameters and dimensions of market exchange, including future projection, communication, mechanisms of conflict resolution, cooperation, power, transferability, and specificity.

Some authors often reduce relational market exchanges to a narrow range of aspects. The key features of relational exchanges are as follows: a) continuation, b) reoccurrence and intensive communication, c) the fulfillment of ele-
ments that cannot be enforced and guaranteed by third parties, d) exclusive ties (close, specific and concentrated), and e) partnership and equity. However, continuation is often prioritized as a proxy for relational exchange within frameworks of relationship marketing. Moreover, this issue is also highly relevant for economic sociology. For example, according to James Coleman, it is the duration of a relationship that demarcates social actions and transactions from the classical model of a perfect market (Coleman, 1990: 91). Richard Emerson argues that a difference that separates social from economic exchange theory “stems from the conceptual units of analysis employed – longitudinal exchange relations versus ahistorical individual decisions” (Emerson, 1976: 350). Let us recall that this approach is rooted in the anthropological tradition, in which time plays a key role in arrangements of ceremonial exchange (Malinowsky, 2005; Moss, 2005; Sahlin, 1974).

In his seminal paper on embeddedness, Mark Granovetter also emphasizes that the role of temporal factors could not be overstated because interpersonal relations have a certain history, and the peculiarities of social structures result from processes over time (Granovetter, 1985; Granovetter, 1990). Time is necessary for social structures to emerge, and an emphasis on the temporal dimension of market exchanges enables a change in focus from the analysis of individual economic behavior to the conceptualization of market structures and social norms. From this perspective, we should be concerned that new economic sociologists are not interested in historical embeddedness (Krippner, 2001; Krippner, Alvarez, 2007). Studying exchange relations, these scholars devote more attention to structural embeddedness to reveal a position of concrete interpersonal relations with respect to other relations and to relational embeddedness, which is measured by the extent of exclusivity and the strength of social ties.

**Common interests**

Today, many common issues are studied by relationship marketing and new economic sociology in parallel. These issues include 1) partner selection processes based on multiple criteria, 2) the motivation systems of exchange partners, 3) communication and information exchanges, 4) trust and loyalty, 5) the influence of interpersonal relations on institutional ties, and 6) market coordination and the satisfaction of collaboration.

In their paper, Jagdish N. Sheth, Atul Parvatiyar, and Mona Sinha present concepts and notions that are intensively discussed in relationship marketing. Many of these ideas are closely related to economic sociology. We refer to examples of trust and commitments, interdependency, shared values, power asymmetry, adaptation and mutual satisfaction, determinants of initiation, continuation and termination of organizational ties, and cooperation and conflicts in interfirm relations. An additional topic that has attracted the attention of economic sociologists and marketing scholars is the exploration of how networks of long-term relations intermediate economic performance. A general purpose of relationship marketing is formulated as the “creation and enhancement of mutual economic, social and psychological value.” Interestingly, the meaning that is assigned to economic gain has significantly evolved in relationship marketing. This meaning is not confined to the maximization of profit and market share (as in transactional marketing in previous years) but is extended to the mutual satisfaction of parties who are engaged in relationships and value creation. Undoubtedly, this idea also appears to be related to economic sociology.

Economic sociologists might be pleased to know that the network approach is actively applied in relationship marketing. Scholars are interested in both dyadic relationships and social networks (Achrol, 1997). The importance of network research is explained by the principle that is shared by economic sociologists. In both fields, relational and transactional exchanges are intended to fulfill different functions and can simultaneously produce competitive advantages and disadvantages. An analysis of economic activity should account for all organizational ties that constitute an economic actor’s portfolio. This portfolio should be balanced by combining arm’s length and ongoing relations. In this respect, the explanations provided by marketing scholars coincide with the empirical findings obtained by Brian Uzzi: “optimal networks are not composed of either all embedded ties or all arm’s length ties but integrate the two” (Uzzi, 1996: 694).

**Some limitations of relationship marketing**

Marketing scholars are prepared to acknowledge that “marketing theory is particularly weak in the area of markets. Marketing does not have a theory of markets comparable with the theory of markets in economics” (O’Rourke, 2004: 108). In addition, relationship marketing, as a part
of administration sciences, is primarily oriented toward achieving applied results for the development of managerial practices. Generalizations and interpretations are often undervalued. In this sense, diverse market theories that are developed by economic sociologists are able to bring numerous new ideas to relationship marketing (Lie, 1997; Fourcade, 2007; Fligstein, Dauter, 2007).

In relationship marketing, a market is described as a field that is populated by a variety of different economic actors, including suppliers, distributors, and consumers. Scholars attempt to determine how to benefit from the harmonization of these diverse relationships (in terms of value creation and competitive advantages). However, markets tend to be associated with the demand side, and the role of consumers is certainly prioritized. Marketing research frequently fails to consider other market participants (e.g., governments, business associations, workers) that could be an important part of the context of partnership and conflict relationships.

An additional weakness that can be attributed to relationship marketing is the implication that scholars are inclined to study relationships in a positive and prescriptive manner. Although conflict relationships are also at the core of marketing studies, such relationships are typically considered from a normative perspective. Ongoing relations are believed to assist economic actors in reducing the risks of fraud. However, Mark Granovetter convincingly highlighted the nature of controversial relations between social ties and malfeasance. He insisted that "while social relations may indeed often be a necessary condition for trust and trustworthy behavior, they are not sufficient to guarantee these and even provide occasion and means for malfeasance and conflict on a scale larger than in their absence" (Granovetter, 1985: 491).

In relationship marketing, it is typically accepted that collaborative partnership is beneficial for value creation and enables exchange partners to receive mutual economic gains. Economic sociologists are more skeptical and tend to problematize the effects of relationships on economic performance. These scholars demonstrate that the “outcomes of embeddedness are not unconditionally beneficial, however, embeddedness can paradoxically reduce adaptive capacity under certain conditions” (Uzzi, 1996: 694). This ambiguous influence of relationship components on economic outcomes should certainly be considered when studying market exchanges.

### New economic sociology and relationship marketing: why do they follow different paths?

Although economic sociologists treat markets as the primary subject of their studies (Swedberg, 1994; Fourcade, 2007), they are also inspired by the investigation of peculiar and peripheral types of markets. For example, such scholars more enthusiastically study socially contested commodities, credential goods, and fictional commodities. Unlike sociologists, marketing scholars usually study the "standard markets" (Aspers, 2010), which constitute the core of modern economies.

In addition, marketing scholars traditionally devote more attention to the issues of distribution (the spatial and temporal aspects of the circulation of goods) and consumption, whereas sociologists are more inclined to study production and, recently, financial issues. The issues of distribution and consumption became even more important during the second half of the 20th century when most developed and developing countries underwent a trade revolution. This trade revolution caused drastic economic changes when “large retailers had replaced large manufacturers as the key organizers of the world economy” (Petrovic, Hamilton, 2011: 3). However, retailing is a curiously peripheral topic in the sociological literature, although it is acknowledged that trade represents “one of the few forms of interaction between the first human communities” (Swedberg, 1994: 256).

It should be emphasized that relationship marketing defines its subject matter as exchange relationships per se (Hunt, 1983; Kotler, 1972; Frazier, 1983; Dwyer, Shurr, Oh, 1987). In their famous article, Dwyer, Shurr, and Oh (1987) identified at least four reasons that exchange relations refer to the main focus of relationship marketing:

> "First, exchange serves as a focal event between two or more parties. Second, exchange provides an important frame of reference for identifying the social network of individuals and institutions that participate in its formation and execution. Third, it affords the opportunity to examine the domain of objects or psychic entities that get transferred. Finally, and most important, as a critical event in the marketplace it allows the careful study of antecedent conditions and processes for buyer-seller exchange" (Dwyer, Shurr, Oh, 1987: 11).

In contrast with relationship marketing, new economic sociology has much wider scope of interests, but we be-
lieve that its specific interest in market exchange theory should be better articulated. Sociologists should not neglect important contributions to the understanding of exchanges that are offered by the social exchange theorists who developed an original concept of power based on interdependency and exchange. In his prominent book, Peter Blau (2009 [1964]) presented insightful ideas regarding how elementary forms of exchange can produce social structures and norms. Nevertheless, in this classical work, economic exchange is similar to a neoclassical contract. Social exchange theorists are blamed for defining social exchange excessively broadly, whereas economic exchange is defined in a manner that is excessively narrow (Hodgson, 1999). New economic sociologists have exerted efforts to overcome this opposition, primarily within the network and institutional approach frameworks (Swedberg, 1994). In the network approach, markets are defined as social structures that are characterized by intensive social interactions among participants. New institutionalists demonstrate how rules and their social meanings support exchange relations. However, studies that are primarily devoted to exchange relations are scarce in the field of economic sociology (Dore, 1983; Baker, 1990; Uzzi, 1996, 1997; Baker, Faulknor, Fisher, 1998; Uzzi, 1999; Rooks, Raub, Selten, Tazelaar, 2000; Uzzi, Lancaster, 2003; Zhou, Zhau, Li, Cai, 2003; Molm, Whitham, Melamed, 2012).

Although both marketing scholars and economic sociologists argue that their focus is on studying relationships, both groups address a variety of relationships and the differences among them. In the economic field, two types of relationships co-exist. The first type includes relations that endure only within the time frame of a given transaction. The second type embraces relations that endure beyond the completion of a given transaction (Burt, 2000: 2); the existence of such relations implies that transactions can be based on already existing interpersonal relations or that, on the contrary, transactions can contribute to the formation of steady interpersonal relations. Each of these relationship types has different meanings and goals (Uzzi, 1996). We would argue that marketing scholars tend to study the first type of relations, although they are increasingly devoting more attention to the customer life cycle models, which bring them closer to the second type. By contrast, economic sociologists are primarily interested in studying the second type of relationship, which is developed beyond transactions per se. Overall, marketing scholars typically prioritize formal contractual relationships, whereas economic sociologists devote more attention to informal interpersonal relations.

Within the last three decades, relationship marketing and new economic sociology have clearly made remarkable progress in developing their research agendas. Sharing many common intellectual roots and interests, these disciplines remain disconnected and persistently ignore the accomplishments of one another, thereby rendering their market theories less complete and comprehensive. These disciplines could benefit from collaboration in the future. If such collaboration occurs, then mutual orientation will provide additional fuel for both relationship marketing and new economic sociology in participating in the continuous race with conventional economics (Swedberg, 1997).


**Endnotes**

*I thank Vadim Radaev for his helpful comments. This study comprises research findings from the ‘Formation of Embedded Exchange Between Retail Chains and Their Suppliers in Russia: Sources and Consequences’ project that was conducted within The Higher School of Economics’ 2012 Academic Fund Program. 1This idea was generated by Ian Macneil to distinguish between discrete contracts and relational contracts. “A discrete contract is one in which no relation exists between the parties apart from the simple exchange of goods” (Macneil, 1980: 10).*

**References**


**Arndt, Johan, 1979: Toward a Concept of Domesticated Markets. In: Journal of Marketing 43, 69–75.**
Molm Linda D.

Monica M. Whitham


