

CHAPTER II LITERATURE REVIEW

The literature on blogs and relationship marketing respectively is vast. There are also works on blog application on relationship marketing, but not the other way around. This study intends to probe into the fitness of applying relationship marketing in blogosphere. The literatures are reviewed regarding to four facets: the current environment, blog/blogging, relationship marketing and relationship marketing versus blogging.

In the first section, the internet penetration rate and web 2.0 served as the background of the study that trigger and foster the development of the blogosphere and the probability to implement relationship marketing in the field. Blog definition is provided in the second section, brief blog history, blogging gadgets, motivations, blog user profile, and blogging impacts on other fields are also widely reviewed. In the following section, the paradigm shift process from transaction marketing to relationship marketing is covered as the background for the development of relationship marketing; different relationship marketing perspectives are introduced; various definitions and features of relationship marketing are also covered; the last part of the section is about customer satisfaction, customer loyalty and word of mouth which are indispensable for enhancing the relationships, and served as the indices of relationship level in the research.

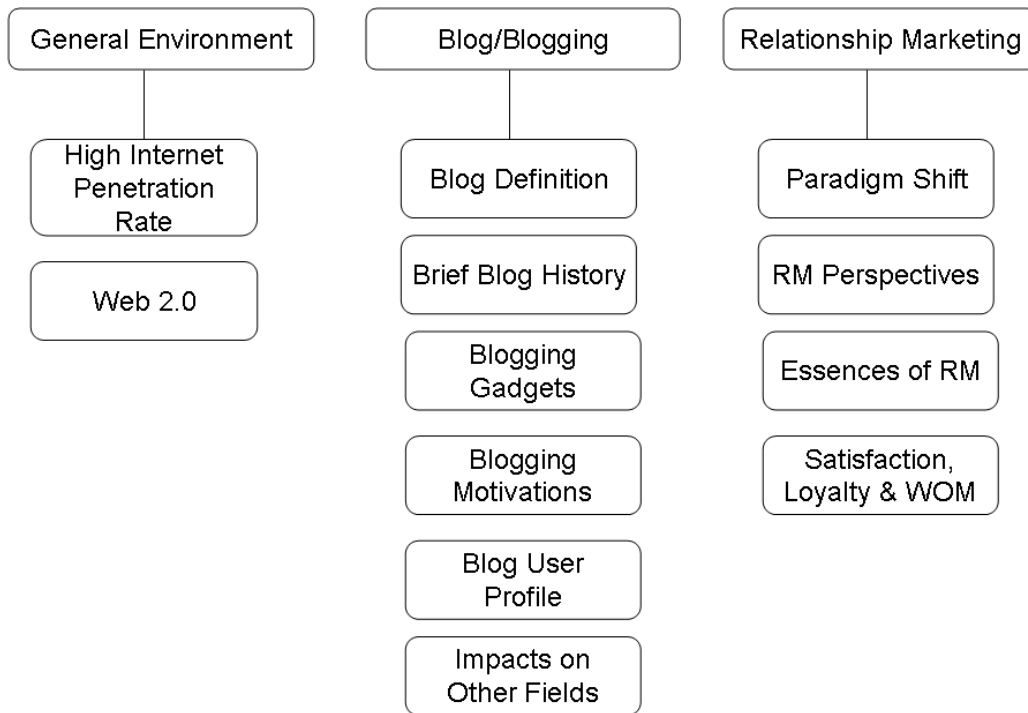


Figure 2-1: Literature Map

2.1 Current Environment

2.1.1 Web 2.0 – Blog as a Platform

According to Tim O'Reilly (2005), the founder and CEO of O'Reilly Media, Inc., “Web 2.0 is the business revolution in the computer industry caused by the move to the Internet as platform, and an attempt to understand the rules for success on that new platform” (Wikipedia, 2008, web 2.0). “Participation has been a fundamental component of the Internet since its inception” (Bowman & Willis, 2003, p.18). Evolving along with the time, the development of Web 2.0 further prompts the trend of interaction. After all, web 2.0 is about connecting with people (Brock, 2007).

Extended from the definition of Web 2.0 by O'Reilly, here are the five major drives for web 2.0 (Market Intelligence Center, 2007):

1. Truly Global Connected: While world internet users reached one billion, among which, 85% are constant users. The high internet penetration rate further stimulates globalization.
2. Always-On: Along with the wide adoption of broadband, the era of always-on has come.
3. Pervasive Internet Access: With the rapid development of technologies, people are able to get online almost anywhere, anytime.
4. Low Startup Cost: Due to the low cost of personal computers and IT structures, combined with the mature information service system, and the markdown of marketing costs, it becomes cheap or even free for online innovations.
5. Customer Engaged: Because of blogs, video sharing websites, users are able to create and share contents, and interact with other users.

Bart Decrem, founder and former CEO of Flock, refers to web 2.0 the “participatory web” (Wikipedia, 2008, Web 2.0). Web 2.0 represents the spirit of openness and share. As Madden & Fox (2006) stated, “[Web 2.0 applications] replace the authoritative heft of traditional institutions with the surging wisdom of crowds” (p.2). Wikipedia, the world most popular free encyclopedia today, is holding to certain spirit. “Wikipedia is an international, open content, collaboratively developed encyclopedia” (Bowman & Willis, 2003, p.25). Along with its great success, *Wikinomics* becomes a new belief. According to Don Tapscott, the co-author of *Wikinomics: How Mass Collaboration Changes Everything*, *Wikinomics* is based on four principles: openness, peering, sharing, and acting globally (Wikipedia, 2008,

Wikinomics). All these features also appear in many web 2.0 applications, among which, blogging is socially interactive communication tool that can trigger conversational exchanges (Bonus et al., n.d.). Because of blog, people are active information senders/ distributors as well as information receivers (Numa, Ohmukai & Takeda, 2004). It is a platform encouraging collaboration, participation and community building (Leary, 2007).

2.1.2 High Internet Penetration Rate

According to *Internet World Stats*, until March 31, 2009, there are over 1.5 billion people using the Internet, which accounts for 23.8% of world population. In 2008, Taiwan ranked no. 17 among top 43 countries of highest Internet penetration rate (Miniwatts Marketing Group, 2008). A year later, in 2009, with the Internet penetration rate of 66.1%, Taiwan is among Asia Top 10 Internet Countries (Miniwatts Marketing Group, 2009). Taiwan, among markets with highest broadband penetration of household, with 59% penetration rate, is being regarded as a mature market, where consumers tend to seek for new applications online (Gartner, 2008).

Regardless of languages, Internet is able to leverage our social connections (Madden & Fox, 2006). As Gummesson (1999) put it, “Now there are global markets where the terminal is the stall and the customer relationship is electronic. The electronic marketplace is everywhere and nowhere; it is interaction through the electronic network of relationships that makes the market” (p.85). The blogosphere is the marketplace where is no time and location limit and boundary, and relationship marketing should be adopted to manage complex if not complicated relationships. “The internet is an electronic network of networks of relationships in which we can choose to interact” (Gummesson, 1999, p.84).

2.2 Blog/Blogging

2.2.1 Blog Definition

A blog should be frequently updated, links to other sites of interest, socially interactive, and community-like in nature (Bonus et al., n.d.). Moreover, according to the definition by Bowman & Willis (2003), “A weblog is a web page made up of usually short, frequently updated text blocks or entries that are arranged in reverse chronological order ([the] most recent to oldest)” (p.20). As suggested by Bhagat, Cormode, Muthukrishnan, Rozenbaum & Xue (2007) with their paper, *No blog is an Island – Analyzing Connections across Information Networks*, blogs are connecting to one another. Furukawa et al. (2007) identify blog as social medium that enables users to publish experiences and opinions easily. Summarized from all these definitions and features of blog, in this study, a blog is updated frequently, arranged in reverse chronological order, and linking to other sites of interest, allowing visitors to comment on the posts, to cite the posts, and to trackback the posts.

2.2.2 Brief Blog History

1983~1990 (Pre-HTTP)

Before Hyper Text Transfer Protocol (HTTP) was created, digital communities took many forms, including usenet, email lists, Bulletin Board Systems (BBS), and discussion forums. In 1985, the “Whole Earth ‘Lectronic Link’ (WELL)” was started by Stewart Brand. WELL, inspired by the rock band *The Great Dead*, was based on the idea that discussion starts with the people (Barlow, 2007). “The World Wide Web came about through the work of Tim Berners-Lee, who, working with Robert Cailliau, developed integrated client servers, Web pages, and Web browsers at the beginning of 1990s” (Barlow, 2007, p.151).

During 1993 to 1994, though only operated for 8 months, *mod.ber* was created by Brian E. Redman as a journal publishing style discussion forum that could link to other places on the Net chosen by the user, which is similar to one of the modern features of blog. Brad Templeton, the founder of *rec.humor.funny*, claimed that *rec.humor.funny* is the world's oldest existing blog, and "... some people consider Mosaic's 1993 What's New page to be the first blog" (Pack, 2004).

1994~2001

The modern blog is said to be evolved from online diary. The term, weblog, was coined in 1997 by John Barger, an influential early blogger, for describing the process of "logging the web." Later in 1999, the shorter term, blog, was coined by Peter Merholz as he put "we blog" in the sidebar of his blog, *Peterme.com*. Launched in October 1998, *Open Diary* was the first blog community that readers can add comments on other bloggers' entries. Famous blogging software as *Pitas.com*, *Diaryland*, and *bloggers.com* were all created in the year of 1999. The proliferation of free blog creation software made it easier for everyone to create one or more blogs of their own (Pack, 2004). Besides blogs, blog search engines were also developed to help bloggers track and search for interested blogs.

2001~present

Many popular blogs emerged in 2001 and most of them were about politics. The phenomenon had drawn journalism scholars' attention. In 2002, a rumor widely spread among blogs triggered countrywide concerns and forced U.S. Senate Majority Leader Trent Lott to step down for his inappropriate comment in a party. Mutated along with time, with bloggers' nearly immediate comments on just-happened events, created the second meaning of

“blogging” – to simultaneously transcribe and edit speeches and events. In 2004, Merriam-Webster’s Dictionary declared “blog” as the word of the year (Wikipedia, 2008, Blog). According to a new research from leading ad agency, Universal McCann (2008), “Blogs are a mainstream media world-wide and a collective rival to traditional media (184m bloggers world-wide, China has the largest blogging community in the world with 42m bloggers) – 73% have read a blog, 45% have started a blog”.

2.2.3 Blogging Gadgets

RSS

Really Simple Syndication (RSS) “allows content providers to disseminate the information on their sites, including links, headlines, and summaries of stories, to an RSS reader – a software program that aggregates the updated content from a person’s favorite sites, eliminating the need to visit them individually” (Madden, 2005, p.38). It was developed by Dave Winer in 2000 to turn blogs, or even specific postings, into Web feeds (Baker & Green, 2005). With this function, blog viewers are able to trace their interested blogs easily and efficiently.

Blogroll

“Users might mention other blogs in their postings, and express their suggested contacts in *blogrolls* (a sidebar within a particular blog listing the other blogs the blogger frequents)” (Furukawa et al., 2007). Besides RSS, blog viewers sometimes put the links of their interested blogs in their blogrolls, and people who visit their blogs can also click on the linkages to visit the blogs on the list. This is a transformed way of Word of Mouth in the blogosphere.

Comment

“...by enabling readers to post comments, blog soft-ware makes Web pages truly interactive, even if that interactive potential has yet to be fully exploited” (Bonus et al., n.d., p.11). Comment produces the best recall and are the explicit signal of user interests (Furukawa et al, 2007). Comments are also the major index for observing interactions.

Trackback

It is “a mechanism that automatically finds other comments about a blog post on a weblog, and provides excerpts and links to the comments alongside the post” (Bowman & Willis, 2003, p.20). Trackback function allows people to cite articles from other blogs and provide a linkage to the original blog.

According to Furukawa et al. (2007), “...blogroll and comment relations are sometimes created among friends and acquaintances, the networks have high correlations each other.” They also found that, “blogroll and citation relations induce users to read because they create a hyperlink that easily guides a user to the other blog.” All the four gadgets described above generate the blog popularity through sort of word of mouth effect, or snowball effect. Since the entire blogosphere can be viewed as a giant network, all these gadgets facilitate the interwoven blogs.

2.2.4 Blogging Motivations

“Why do people blog?”, Gumbrecht, Nardi, Schiano & Swartz (2006) raised the question and sorted out five major reasons: documenting lives, giving voices to certain issues, regarding blogs as emotional outlets, working out ideas during the blogging process, and

being active in communities or forums (p.5). As Internet becomes an essential part of people's lives, even ordinary people may have their own blogs and possibly more than one. "The 'intermediate' characteristics of blogs make them attractive to users. In particular, they allow authors to experience social interaction while giving them control over the communication space" (Bonus et al., N.d.). "Weblogs are easy to set up, operate and maintain. The technology is relatively inexpensive, sometimes even free. This allows just about anyone to simultaneously become a publisher, creator and distributor of content" (Bowman & Willis, 2003, p.22).

Most bloggers write their blogs with the awareness of audience (Gumbrecht et al., 2006). The tone bloggers use and the way they express their ideas indicates they are communicating with potential audiences in their minds. From audiences/blog viewers' point of view, the fact that people are writing directly to them is appealing (Pack, 2004). People believe in and agree upon what the blogger say and so they read it, forward it to friends, link it to their own blogs and even leave comments. On the contrary, if people do not agree upon or do not like the blogger's opinions, they simply do not read it and stop visiting the blog again. Blogging is easy, and free of social burdens.

"...given [blogs] their potential for boundless human expression, they attract anyone wishing to share information, opinions, and ideas" (Dodge, 2004, p.27). Blog enables individual participants to play multiple roles simultaneously. It is an effective collaborative tool simplifies communication (Bowman & Willis, 2003). Blogs serve for different functions from being an alternative source of news and public opinion, environments for knowledge sharing, or for self expression and self-empowerment (Bonus et al., 2003). The blog world is

paradoxical. It is personal and it is public at the same time. As declared by Nussbaum (2004, p.2), “[Blogs are] anonymous, traceable, instantaneous, then saved forever.” People give out their privacy, and they get the sense of intimacy in return for their blog readers. According to Bonus et al. (2003), “...many bloggers include explicit personal information on the first page of their blogs. ...the identity of the author is apparent to some extent in most blogs (p.5)”. In contrast, blog viewers are generally not requested to reveal any personal information, they are more likely to express their ideas and suggestions freely and anonymously at their choices.

Bill Gates asserted that open and communicative features make the blog the best relationship generator (Kirkpatrick, 2005). The openness of the blog re-distributes the power to ordinary people. Everyone can speak up. People can say whatever they intend to say and others are also free to comment, to agree or to disagree. Blog becomes a platform that generates real responses and opinions. “Most blogs are open to the world. As the bloggers read each other, comment, and link from one page to the next, they create a global conversation” (Baker & Green, 2005). As Kirkpatrick (2005) stated, “Suddenly everyone’s a publisher and everyone’s a critic.” The quick spread of information through blogosphere urges companies to take things seriously and respond promptly. People tend to rely on opinions and comments on blogs about products they are interested in. People do not believe in whatever on ads, but count on real opinions online. As a result, some companies start to adopt blogs as their communication platform with customers, so they can provide information and get responses directly and instantly from customers. “[B]logs have changed the face of communication, and brought new opportunities, new relationships, new forms of recognition, and even new earning potential to many people” (Dawson, 2007). As pointed out by Technorati’s *State of the Blogosphere* report (2008), “The majority of bloggers recognizes that

blogging has increased their circle of friends, brought them closer to their circles of friends and family members, or has gotten them more engaged in their hobbies”.

2.2.5 Blog User Profile

Worldwide

According to 2008 comScore “Digital World: State Of The Internet” report, the percentage of worldwide internet audience have grown 10.4% from 2007. The report indicated that, “The number of worldwide visitors to social networking sites has grown 34 percent in the past year to 530 million, representing approximately 2 out of every 3 Internet users” (comScore, 2008). Many people may think the most bloggers would be Internet heavy users. Assael (2005) categorized Internet heavy users according to type of usage. He focused not only on the demographic, but also the psychographic profile of Internet heavy users. Pew Internet and American Life Project 2005 had classified Internet users into new comers, experiementers, utilitarians and netizens (Assael, 2005, p.94).

In a survey conducted in 2003 in the U.S., with a sample of 5,140 adults 18 and above, Internet heavy users were defined as those respondents spending over 20 hours per week online, and it’s about 8.6% of the sample. The result showed that 60% of Internet heavy users are more likely to be age 18~44, and tend to be single. It also indicated that respondents with a college education or better are more likely to be heavy users. Interestingly, it suggested that heavy users are more likely to be workaholics. In general, heavy users are younger than Internet users overall and the demographic file fits closely with that of the early Internet adopter. Besides the demographic analysis, the study also adopted lifestyle variables. Heavy users seem to be time-deprived. They are multi-tasking groups and are highly favorable

toward technology. (Assael, 2005).

Surprisingly, Gumbrecht et al. (2004) found that vast majority of blogs are written by ordinary people. As mentioned in the previous section, blogging is now a form of personal communication. Ordinary people use it to update their status and share their lives with friends, families, and even strangers online. They upload the latest photos, express their emotion, state their opinions, clear up their thoughts, etc. Blogging is free and accessible for anyone from anywhere. In general, bloggers, according to The Pew Internet & American Life Project 2005, are more likely to be male. They are generally young and mostly under age 30. Majority of them have been online for over six years. They tend to be well-educated. The study also indicated that blog readers' demographic profile is similar to it of bloggers. However, interestingly, most users do not participate very much, but simply lurk in the background (Nielsen, 2006). Nielsen (2006) asserts that, with blogs, 95% of users are lurkers, and about 5% of users contribute from time to time, and only around 0.1% of users participate a lot. Another interesting finding is that the writing style is also different between men and women. Men tend to emphasize *information* while women focus more on *involvedness*. As for topics, men are more likely to write about politics, technology and money while women discuss their personal lives and share their emotions.

In Taiwan

InsightXplorer (IX), a company provides interactive database service, online survey service and website analysis systems, released results of a study on blog usage in Taiwan on Sept. of 2007. Among 4,717 effective samples, nearly 70% of internet users own at least one blog and 44.8% of them update their blogs every week. In another telephone interview survey

conducted earlier in 2008 on internet and media usage in Taiwan, IX found that 52% of internet users are male, 49% of internet users are in Northern part of Taiwan and they tend to have higher educational background. Later, in 2008, also conducted by IX, with effective sample of 1,800 people 10 and above, through telephone interview from January to June, 2008, the demographic information Taiwanese internet users are as followings:

1. Gender: 52% male and 48% female.
2. Age: 61% in total are internet users.
3. Location: 49% reside in northern Taiwan, 25.7% in central Taiwan, and 25.2% in southern Taiwan.
4. Educational Background: 57.6% obtain college degree and above. People who have higher educational background are more likely to be internet users.

According to a study carried out by MIC, blog took the 3rd place of the most widely used internet entertainments while the 1st and 2nd places were online games and online videos/movies. An online survey conducted by MIC in 2008, from August 21st to September 3rd, cooperated with several online game servers and blog service providers (BSP), with effective samples of 5,917, 95% level of confidence, analyzed Taiwanese blog user behaviors. The study found 89.6% of internet users have their own blogs, and their average blog adaptation history is around 2 years. Among these blog adopters, female users have higher tendency of reading all sorts of blogs than male users. In general, over 60% of Taiwanese internet users regard blogs as one of their social networking tools, and most of them are under age 29, familiar with internet media, and equip with high information application ability.

The most popular BSP is Wretch, which has been adopted by 67% of internet users. Their major concerns while choosing BSP including higher popularity, free of charge, continue to use after the first trial, recommendations by friends and relatives, easy operation mode, higher exposure rate, etc. As for attitudes toward blog management, 65.7% of bloggers regard managing a blog as their important interest, and 11.6% of bloggers think of their blogs very important.

According to comScore (2008), “Heavy bloggers are heavy consumers of news and entertainment content.” The definition of heavy bloggers in the study is “20 percent of blog visitors who account for 84 percent of all the time spent on blogging sites” (comScore, 2008). A study published in 2007 Int'l AAAI Conference on Weblogs and Social Media (ICWSM) by Adamic and Ali-Hasan, indicated that bloggers who receive more comments tend to reply those comments. Interestingly, most bloggers in their study were interacting with people they do not know offline, which corresponding to what Nussbaum (2005) stated in his research on teen bloggers, “In daily life, most bloggers don’t talk about what they say online” (p.4). It seems bloggers lead two different lives at the same time. Moreover, “many blog anonymously by using a pseudonym, and so are potentially able to keep their real-world and blogging interactions separate” (Adamic & Ali-Hasan, 2007). They found that, “Bloggers do appear to be more willing to communicate with other bloggers listed on their blogrolls through email..., but less likely to communicate through the telephone or instant messaging”. However, their study also showed that bloggers indeed have new friends online, just they rarely get in touch in offline lives.

2.2.6. Blogging Impacts on Other Fields

Business/Marketing

DeFelice (2006) indicated, “Marketing has always been about balancing company interest with customer interest, but now it is becoming more about opening dialogue and building trust” (p.33). Due to the highly interactive feature, and easy usage of blogs, they are now widely adopted in business/marketing area for several different functions, such as internal communication channel, product placement channel, and as external communication channel – company blogs.

1. Internal communication channel: Google (Kirkpatrick, 2005).

Since 2003, Google’s employees have created several hundred internal blogs. They are used for collaborating on projects as well as selling extra concert tickets and finding Rollerblading partners. Google’s public relations, quality control, and advertising departments all have blogs, some of them public. For their legal department, blogs are like scientist’s notebooks, keeping useful records ideally for filing a patent. “A collaborative weblog can help keep everyone in the loop, promoting cohesiveness in the group” (Bowman & Willis, 2003, p.22). An internal blog allows employees to express their opinions and communicate with the management layers. It is also a useful tool for project developments and information and knowledge sharing in the company.

2. Product placement: Marqui’s paid-blogging program (DeFelice, 2006; Roush, 2005).

December 2004, Marqui, marketing automation software provider, recruited 20 blog writers to write whatever they wanted about the software, and to tell readers about their agreements with Marqui. Most of the company’s initial bloggers consider this an interesting

experiment. However, Jason Calacanis, founder of Weblogs, a network of technology-focused blogs, opposed the idea and asserted the program was against the public expectation on blog. Consequently, Marqui saw more than 400,000 Google entries, and these entries resulted in a 43 percent growth in customer and the start of 12 new partnerships. Aside from TV, radio, music video, movies, blogs become a new area for product placement. People tend to look for opinions from blogs before they make their purchasing decision.

3. Company blog: Microsoft (DeFelice, 2006).

“By restoring a human face to a company’s self-presentation, blogging has been heralded as a paradigm shift in the way companies interact with customers” (Dwyer, 2007). Microsoft hired its technical evangelist, Robert Scoble, and recognized him as an authoritative voice. “Blogging is the best relationship-building device I’ve ever seen. It lets Microsoft have a human face other than Bill’s [Gates] and Steve’s [Balmer], but it also gives customers a way to find people who are working on a product” said Scoble (DeFelice, 2006, p.35). Company blogs allow companies to provide the latest product information and communicate with customers immediately so to enhance the customer satisfaction level and avoid misunderstandings, and the spread of negative comments.

Journalism

1. Trent Lott Event (Grossman & Hamilton, 2004):

December 2002, during Strom Thurmond’s 100th birthday party, Trent Lott made inappropriate references to Thurmond’s past segregationist leanings. While mainstream media glossed over the incident, bloggers dig it further and made it widespread. Three days after the party, the story finally got covered by big papers and TV networks due to continuing hot

discussions in blogospheres. After two weeks, Lott was out as Senate majority leader.

2. Rathergate (Kirkpatrick, 2005; Pack, 2004):

On 60 Minutes, Dan Rather scooped rivals with memos that offered proof of George W. Bush's dereliction of duty while in National Guard service. By then, blogs raised the first questions concerning documents about the issue. Bloggers added their own thoughts and findings, and eventually, CBS admitted that the credibility of the memo is questionable.

These two events show that, as described by Nardi (2006), blogging has also proved influential in shaping the news. Baker & Green (2005) pointed out in their paper, *Blog will Change Your Business*, "the divide between the publishers and the public is collapsing". Further, CyberJournalist.net blogger, Jonathan Dube asserted, "bloggers are part of the media now" (Pack, 2004). Moreover, Dave Winer, the developer of RSS, said, "It's all part of the democratization effect on the Web. It puts bloggers on the same field as the big news corporations, and that's great" (Bowman & Willis, 2003, p.30). As Dan Gillmor, blogger and journalist, indicated, "[blog] This is tomorrow's journalism. A partnership of sorts between professional and the legions of gifted amateurs out there who can help us – all of us – to figure things out" (Bowman & Willis, 2003, pp.31-32). Journalism is greatly influenced by blogs, and it is the most widely discussed field of all. As everyone can speak up for an issue and contribute their opinions and observations, citizen journalism is formed.

Communications

Jason Goldman, project manager at Google's Blogger, said, "Blogs are what's causing the Web to grow" (Baker & Green, 2005). It is now not necessarily to be online at the same

time to communicate (Bowman & Willis, 2003, p.18). Through blogs, people can check out what friends are doing and even comment on their posts without interrupting them from whatever they are doing (Nassbaum, 2004). Blogs serve as tools to help the communication among acquaintances.

Like relationships in real life, "...each pool of blogs is its own ecosystem" (Nassbaum, 2004, p.6). Interesting, according to Adamic & Ali-Hasan (2007), most bloggers are interacting with people they don't know offline, which corresponding to what Nussbaum (2004) stated in his research about teen bloggers, "In daily life, most bloggers don't talk about what they say online" (p.4). Adamic & Ali-Hasan (2007) also found that bloggers indeed have new friends online, just they rarely get in touch in offline life. It seems in some way, blogs do extend people's relationship circle; however, like in real life, there are different ecosystems and people treat friends from different circles differently.

Publication

"Weblog is an integrated system for authoring and publishing, while WWW is basically a system for publishing (Numa, Ohmukai & Takeda, 2004). The format of blogs makes it an alternative information sources for people. Blog viewers subscribed their interested blogs through RSS or blogrolls. "It's also remarkable that so many blogs are finding an audience in a time when so many people don't read" (Pack, 2004). The phenomena attract attentions from real life publishers to invite bloggers to publish books regarding to their blogs.

2.3 Relationship Marketing

2.3.1 Paradigm Shift?

In twentieth century, the major marketing paradigm, Transaction Marketing, was born in microeconomics of the 1950s. For the following few decades, many concepts and models were proposed, examined, and debated by scholars and practitioners. Among all concepts and ideas during this period, the marketing mix was one of the most important model evolving from a list of 12 variables introduced by Borden in 1954 to well-known '4Ps' model presented by McCarthy in 1960 (Egan & Harker, 2006).

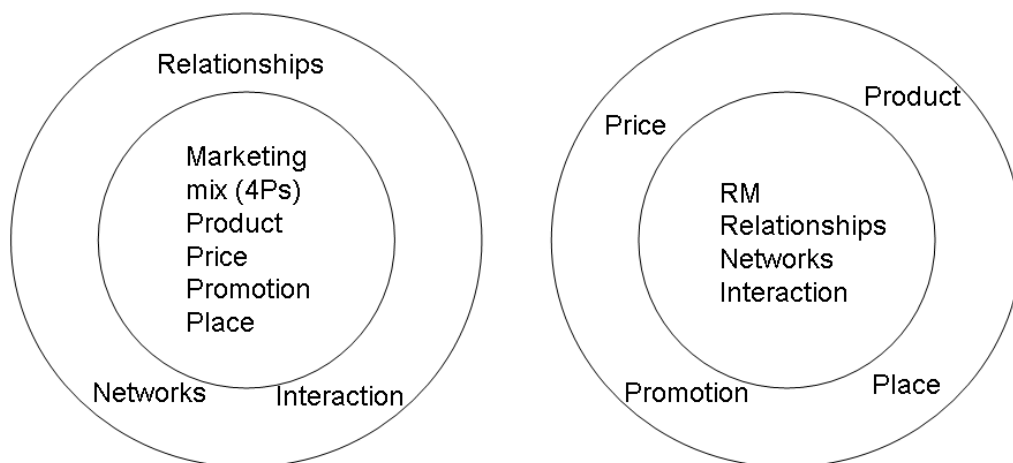


Figure 2-2: The current marketing mix (4P) paradigm of marketing (left) and the future RM paradigm (right), adapted from Gummesson, 1994.

Later, in the mid 1960s, the validity of marketing mix management was challenged; meanwhile, the characteristics of consumers also changed to be more sophisticated and thus required more tailored services. However, the foundation of Transactional Marketing is product-oriented rather than customer-oriented. As the spotlight was shed onto the needs and

wants of customers, it is suggested the presage of the rise of Relationship Marketing. The general differences between Transaction Marketing and Relationship Marketing are illustrated (Figure 2-2 & 2-3).

| | Transactional Marketing | Relationship Marketing |
|---------------------|-------------------------|------------------------|
| Focus | single sale | customer retention |
| Orientation | product features | product benefits |
| Time Scale | short | long |
| Customer Service | little | high |
| Customer Commitment | limited | high |
| Customer Contact | moderate | high |

Figure 2-3: Simple Comparison of TM and RM (adapted Christopher, Payne & Ballantyne, 1991)

Literally, the term reveals the importance of relationships in marketing. Relationship Marketing is not a new theory. “Rather, it is a return to what can be called the ‘roots of trade and commerce’” (Grönroos, 1999, p.328). As pointed out by Parvatiyar & Sheth (2000, p.126):

Although the history of marketing thought dates back to only the early 1900s, we find that relationship orientation to marketing practices existed in history, even to prehistory (Nevett & Nevett, 1987; Pryor, 1977; Walle, 1987). During the agricultural era, the concept of “domesticated markets” and relationship orientation were equally prevalent.

The term was first alluded by Thomas (1976), and was first explicitly introduced by Berry in a conference paper of 1983 (Grönroos, 2000, p.96) to indicate the process of developing relationship marketing as “attracting, maintaining and – in multi-service organizations – enhancing customer relationships” (Parvatiyar & Sheth, 2000, p.5). Since

1970s, there have been two major streams of research, the Nordic School of Service and the IMP Group, regarding relationship marketing as the philosophical cornerstone. The former one “examines management and marketing from a service perspective”, and the latter “takes a network and interaction approach” (Grönroos, 1999, p.328). In the early 1980s, Grönroos developed the *customer relationship lifecycle model* to cover the long-term nature of the relationship when the term relationship marketing was not yet emerge (Grönroos, 1994).

The strategy continuum



The product continuum

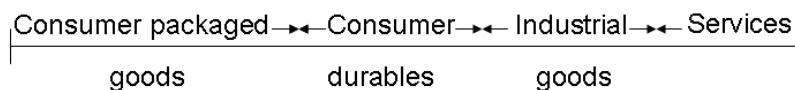


Figure 2-4: The Strategy Continuum & The Product Continuum
(adapted Grönroos, 1990;1991)

Philip Kotler (1992) concluded that “companies must move from a short-term transaction oriented goal to a long-term relationship-building goal” (p.1). In the same year, Frederick Webster also pointed out that “There has been a shift from a transaction focus to a relationship focus” (p.14). Moreover, Grönroos proposed the idea of a marketing strategy continuum (Figure 2-4). Relationship marketing is placed at one end of the continuum and transaction marketing is at the other end.

2.3.2 Relationship Marketing Perspectives

Relationship Marketing is generally divided into two perspectives. The first one is the industrial perspective led by the IMP project. The other perspective is from services aspect: the North America and the Nordic School of Services.

The Industrial Perspective – IMP

The Industrial Marketing and Purchasing Group (IMP Group) developed an interaction approach using ethnographic methodology (Wilson, 1995). The IMP Group believes that interaction is a series of short-term social interactions that are influenced by the long-term business process (Wilson, 1995). Håkansson & Snehota (2000) briefly summarized the development of IMP. The first project was focusing on relationship interaction, initiated in 1976 and carried out until about 1982. IMP2, the second part of IMP project was started in 1986 and focused on networks. The third part of the IMP has been the organization of a research network that connects various streams of research with different topics and methodologies (Håkansson & Snehota, 2000, pp. 69~73).

The discoveries and empirically findings of the IMP project:

1. Between buyers and sellers exist relationships: “Relationship’s are organized patterns of interaction and interdependence with their own substance (Håkansson & Snehota, 2000, p.75)”.
2. Business relationships are connected: “every relationship is not only a bridge between two actors but also a reflector or a projection of other relationships (Håkansson & Snehota, 2000, p.79)”.
3. A relationship is a combination: “It affects productivity and efficiency in firms... at

the same time, it is subject to interdependencies (Håkansson & Snehota, 2000, p.80)”.

4. Relationships are confrontation: “They are a way to create a confrontation of the two parties’ knowledge, which affects resource development and thus innovativeness (Håkansson & Snehota, 2000, p.82)”.

The Services Perspective

According to Payne (2000), the North American approach emphasizes the relationship between the buyer and the seller in the context of organizational environment. Berry (1983) is regarded as the pioneer of North American perspective. The Nordic School of Services extends the notion from service marketing to general marketing to the point of defining RM as the new marketing paradigm (Aijo, 1996). With this perspective, marketing is an interactive process in a social context where relationship building and management are vital (Grönroos, 1994). From the beginning, the Nordic school researchers emphasized the long-term relational nature of services marketing without using the term *relationship marketing* (Grönroos, p. 95). As put by Grönroos (2000), managing services is at the core of relationship building and maintenance in the Nordic school approach.

In his 1997, Grönroos defined the Nordic School or Services as “marketing from a relational has been defined as the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customer and other stakeholder, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfillment of promises”. In this study, the spotlight is shed on the service perspective.

2.3.3 Essences of Relationship Marketing

In the 1990s, relationship marketing was receiving increasing attention involving considerations at both macro level and micro level. Yet, there is no agreement upon the definition of relationship marketing. Nonetheless, there are commonalities among these viewpoints. Egan and Harker (2005) sorted out several similar points as below (Introduction, p.13-16):

“RM concerns attracting, developing, and retaining customer relationship” (Berry & Parasuraman, 1991); “establishing a relationship involves giving promises, maintaining a relationship is based on fulfillment of promise; and, finally, enhancing a relationship means that a new set of promises is given with the fulfillment of earlier promises as a prerequisite” (Gummesson, 1991).

“RM emphasizes a long-term interactive relationship between the provider and the customer, and long-term profitability” (Gummesson, 1994). “Relationship Marketing is marketing seen as relationships, networks and interaction” (Gummesson, 1997). “The core of RM is relations; maintenance of relations between the company and the actors in its microenvironment....The idea is first and foremost to create customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced” (Ravald and Grönroos, 1996).

From the definitions given by profound scholars in this area, the major elements of relationship marketing are emphasized in different ways, but in similar ideas: interaction, networks, mutual benefit, long-term relationship, relationship maintenance. In his 1999 paper, through content analysis, Harker selected 117 sources of RM thinking and collected 26 definitions of RM. Among which, seven conceptual categories of relationship marketing was elicited with different constructs: birth, develop, maintain, temporal, interaction, outputs, and emotional content. In Palmer’s paper in 1996, based on Berry’s concept, he divided

relationship marketing literature into three broad approaches: a tactical level as a sales promotion tool, a more strategic level as a process by which suppliers seek to “tie-in” customers through legal, economic, technological, geographical and time bonds, and a more philosophical level as the heart of the marketing philosophy.

“The term relationship marketing can refer to all marketing activities directed toward ‘establishing, developing and maintaining successful relational exchanges’ (Morgan & Hunt, 1994, p.22)” (Bhattacharya & Bolton, 2000, p.328). Relationship marketing is a perspective, rather than merely a marketing approach. It can be applied in many areas. Brock (2007) defined the term in bizjournals, “Relationship marketing is about connecting with people on personal basis, not just through selling masses of stuff.” As Samiee & Walters (2003) stated, “Relationships are complex phenomena which can be examined from a variety of perspectives in terms of theoretical frameworks, constructs, and methodology”. Sorce (2002) emphasized that the core value of relationship marketing is to create a mutually beneficial exchange through personal communication. To conclude, relationship marketing should be continuous activities to maintain stable interactions with customers, the relationships should be mutual benefit, and the scope should not be limited as it is a perspective, rather than an approach.

2.3.4 Customer Satisfaction, Customer Loyalty and Word of Mouth

Customer Satisfaction

In Berry, Parasuraman and Zeithaml’s 1991 paper, *Understanding Customer Expectations of Service*, derived from sixteen focus group interviews with customers in six service sectors, they categorize customer service expectations into five dimensions: reliability, tangibles, responsiveness, assurance, and empathy. The first two dimensions are of great importance in

meeting customer expectations; however, it is the other three dimensions having crucial influence in exceeding customer expectations. They also point out that “customer relationships are central to exceeding customer expectations” (p.343).

Customer satisfaction can be indirectly estimated from the stable or rising of customer base (Grönroos, 1994). Normally, surveys are widely undertaken to monitor customer satisfaction. “Overall satisfaction based on total purchases and consumption with a good or service over a period of time has been suggested to be more appropriate to long term results such as loyalty (Anderson, Fornell & Lehman, 1994)”. With in-depth satisfaction studies of its office-product customers, Xerox Corporation found that high levels of customer satisfaction will lead to greatly increased customer loyalty (Jones & Sasser, 1995). Keillor et al. (2000) stated that quality to interaction is a controllable determinant in satisfying customer (Bejou & Palmer, 2005, p.108).

Customer Loyalty

Berry (1993) stated that “trust is the basis for loyalty” (p.1). Stone and Woodcock (1995) defined loyalty as a physical and emotional commitment given by a customer in exchange for their needs being met (p.94). Customer loyalty is the feeling of attachment or affection for a company’s people, product, or services (Jones & Sasser, 1995). In their 1995 paper, Jones and Sasser categorized customers into four groups according to their satisfaction, loyalty, and behavior (Figure 2-5).

| | Satisfaction | Loyalty | Behavior |
|---------------------------|---------------------|----------------|------------------------------------|
| Loyalist | high | high | staying and supportive |
| Defector/terrorist | low to medium | low to medium | leaving or having left and unhappy |
| Mercenary | high | low to medium | coming and going; low commitment |
| Hostage | low to medium | high | unable to switch; trapped |

Figure 2-5: Individual customer satisfaction, loyalty, and behavior (Jones & Sasser, 1995)

Morgan and Hunt (1994) indicates five major precursors of relationship commitment and trust as relationship termination costs, relationship benefits, shared values, communication, and opportunistic behavior. “Good relationship marketing in high involvement situations greatly reinforces customer loyalty” (Stone & Woodcock, 1995, p.24). Stone and Woodcock (1995) indicated that relationship marketing provides an ideal way of building loyalty and maximizing revenue (p.55). As pointed out by McKenna (1991), “quality is communicated to the market through an experience...Customer loyalty begins with an experience” (p.65). These experiences are accumulated along with blog readers’ visits to the blog and their interactions with bloggers. Singh and Sirdeshmukh (2000) suggested that customer loyalty is the marketplace currency of the 21st century.

Word-of-mouth

According to Dwyer, Schurr and Oh (1987), the evolvement of relationship can be divided into five phases: awareness, exploration, expansion, commitment and dissolution. Put together with the relationship marketing ladder of customer loyalty (Christopher, Payne & Ballantyne, 1991) as illustrated below (Figure 2-6). The dissolution indicates the end of the relationship, but with relationship marketing, the relationship is supposed to be prolonged.

Therefore, this phase is not illustrated.

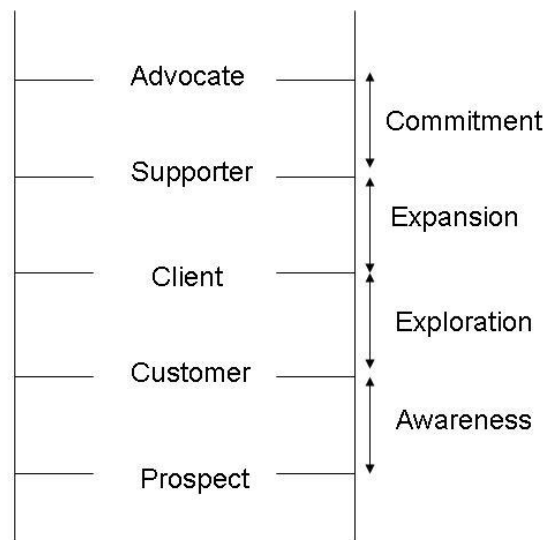


Figure 2-6: The relationship marketing ladder of customer loyalty with relationship development process (Adapted from Christopher, Payne & Ballantyne, 1991 & Dwyer, Schurr & Oh, 1987).

To take mere prospects to advocates, beyond satisfaction, delight must be achieved by exceeding their expectation over and over. It is suggested that highly satisfied customers are likely to engage in positive word-of-mouth communication (Bejou & Palmer, 2005, p.47). Word of mouth is probably the most powerful form of communication that word of mouth message stand out in a person's mind (McKenna, 1991, p.89).

2.4 Relationship Marketing & Blogging

Gummesson (1999), "Interactivity and the possibility of quick access and response may also make distant relationships become closer relationships (p.83)". Blogs equip with all three features above and can be good platforms for developing relationships. According to Berry (1983), relationships can and will create bonds. These bonds may incur switching costs, not

necessarily pure financial (Egan & Harker, 2006). Today, the situation is different, with high Internet penetration rate and easy accesses to computers or other gadgets, people can get online whenever and wherever they desire. There is nearly no switching cost for blog readers to surf among millions if not trillions of blogs. In this ever-changing world, instead of focusing on one approach to attract and keep readers, a general guideline is probably more practical and appropriate.

Blogging is all about communication and interaction, which are also the core values of relationship marketing. Commonalities define the probability for developing relationships among bloggers and blog readers. Typically, how does a blog generate traffic? People usually send emails or linkages of the blogs they are interested in to their friends, colleagues, or other acquaintances. One by one, the traffic is accumulated through word of mouth, regardless online or offline. A sense of community is created among bloggers and blog readers gradually through different forms of interactions, such as commenting on posts, leaving messages, trackbacking the posts, and participating in online or offline activities held by the bloggers.

According to Håkasson & Snehota (2000), “High-involvement relationships with some strong links, ties, or bonds can be valuable assets for a company, but they always also are a heavy liability” (p.85). As blog readers grow the sense of community and become regular visitors, the blogger has the responsibility to work on reader retention through regular posting, replying comments and messages, or other ways of interactions. Grönroos (2000) asserted that “a two-way or dialogue marketing communication approach is needed to support the establishment, maintenance, and enhancement of the interactions process if relationship marketing is to be successful” (p.102). Blogs provide such environment for relationship

marketing to succeed. As described by Sisodia & Wolfe (2000), the properties of information technology based on digital electronics are “convergent and versatile, boundaryless and global, affordable, and addictive” (p.537). You simply can not expect to manage relationships with only one approach, but stick to a general perspective.

Since 2006, the booming year of blogs, there have been bloggers making money by having their blogs published. Some of them even quit their jobs and become fulltime bloggers who are the targets of this study – professional bloggers. However, professional bloggers do not depend solely on their publication copyrights and contracting fees. They generate popularity not only online, but also in the real life. They start to attend PR activities, do celebrity endorsement for products, give speeches, earn revenues by putting ads on their blogs, and be asked to write posts on their blogs regarding to their opinions on various products, and they get paid or free-trials from all these activities. According to Technorati (2008), an authorized blog monitor and search engine, “bloggers with advertising are more sophisticated in terms of their use of tools, advertising platforms and even events to build reader loyalty. They also invest more resources (both time and money) in their blogs”. To professional bloggers, their blogs and they are the products, and all they have to do is to sell them. In this study, it is suggested that relationship marketing should be the general guideline for managing their “business”.

2.5 Summary

From wide variety of literatures reviewed, it is obvious that many features of relationship marketing can be found in blogs, which supports the presumption of this study that relationship marketing is the proper marketing perspective for professional bloggers. However,

to examine the fitness of applying relationship marketing on blogs, rigorous research methods needed to be done in this study.

2.6 Operational Definitions

Several terms need to be further defined for purposes of this study. They are:

Relationship Marketing

Concluded from various literatures on definitions of relationship marketing, the core concept of relationship marketing is captured and defined in this study as “during an on-going process of interactions between professional bloggers and blog readers, the professional bloggers attract, maintain, and enhance the reader relationships to achieve mutual benefits through keeping their promises, such as updating blogs regularly.”

Professional Blogger

Professional bloggers are individuals who manage at least one blog, financially rely on their blogs and derivative activities, and have blog publications.

Interactions

In this study, interactions between blog readers and bloggers include both online and offline interactions. Online interactions refers to leaving messages or commenting on the posts, using trackback function, putting linkage on one’s own blogroll, subscribing to RSS, participating in activities held by the blogger, adding the linkage to one’s “my favorite” list. Offline interactions includes attending blog gathering, blog publication related events, purchasing blog derivative products.

Mutual Benefits

To the professional bloggers, if they are able to retain good readerships, and keep or even enhance the level of popularity. They are more likely to be invited to publish more books regarding to their blogs, to attend PR activities as celebrity endorsement, to earn commercial revenues, and etc. To blog readers, the benefit would be meeting their expectations toward the blog and providing them with the best blog reading experiences. The focus of this study is on blog readers' side; therefore, expectations are also counted in the important variables.

Loyalty Level – The relationship marketing ladder of customer loyalty

The relationship marketing ladder of customer loyalty was proposed by Christopher, Payne and Ballantyne in 1991 to illustrate the process of relationship building and its correlation with loyalty level accumulation. Here in this study, the five ladders are re-defined as following:

- (1). Prospect: people who haven't read or heard of either the blog or blogger and are potential readers.
- (2). Customer: First time comer and random visitors who start to get to know the blog and the blogger.
- (3). Client: repeat customers who read the blog from time to time and have basic knowledge and understanding about the blog and the blogger.
- (4). Supporter: blog subscribers of any form and regular visitors who are satisfied with the blog or blogger overall.
- (5). Advocate: loyal blog readers who have willingness or indeed recommend the blog or blogger to others.

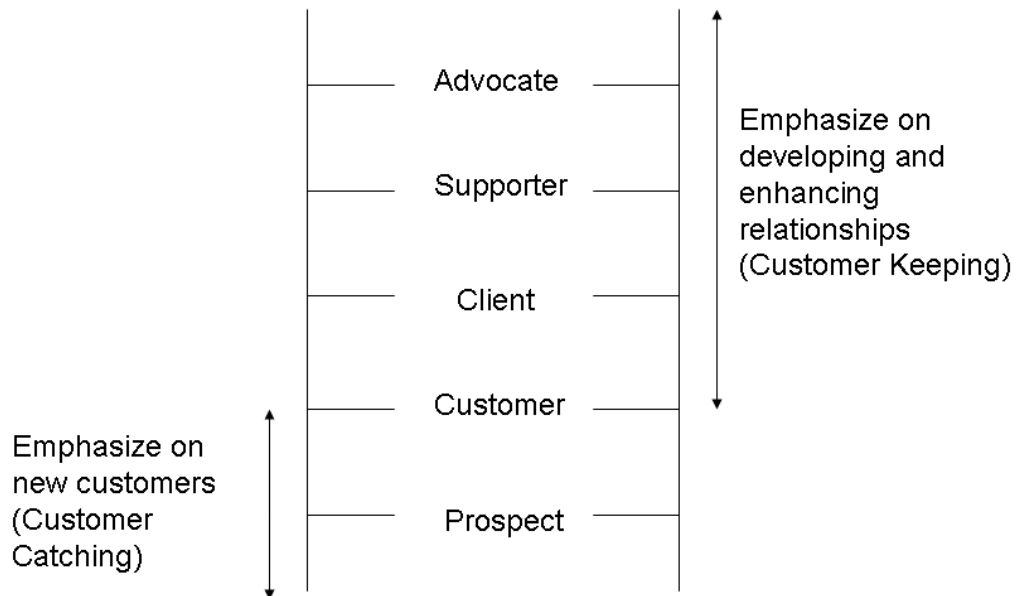


Figure 2-7 The relationship marketing ladder of customer loyalty (adapted from Christopher, Payne & Ballantyne, 1991)

