The Current Use of Marketing in UK Retailing.

by

Gilbert, D. and Sumner, F.

Published in 'International Journal of Retail & Distribution Management',
volume 32, issue 5, pp 242-251.

The current use of marketing in UK retailing

David Gilbert and
Fiona Sumner

The authors

David Gilbert is Professor of Marketing, School of Management, University of Surrey, Guildford, UK.
Fiona Sumner is Senior Consultant, FES Consulting, Teddington, UK.

Keywords

Retailing, Marketing, Relationship marketing, Organizations, United Kingdom

Abstract

The UK retail environment is highly complex and competitive and as such the context for marketing may require change. This research investigates current marketing practices used by retail companies in the UK and explores their correlation across four different retail sectors. Random samples of companies from the grocery and convenience, specialist audio-photographic and IT, retail banking and financial services, and, the optical, health, hair and beauty services sectors were used. Across all sectors, respondents feel that their company's marketing practices are changing to become increasingly focussed on a relationship with the customer. No evidence was found of a difference between the marketing variables by industry sector, nor that certain marketing practices might be more prevalent in specific industry sectors. Correlation analysis also shows that a variety of marketing types are being practised simultaneously across all retail companies.

Electronic access

The Emerald Research Register for this journal is available at
www.emeraldinsight.com/researchregister

The current issue and full text archive of this journal is available at
www.emeraldinsight.com/0959-0552.htm

Introduction

At the end of the 1980s Piercy and Alexander (1988) provided what was probably the first evidence of the organisation and use of marketing in large UK retail organisations. Elg (2003), utilising a recent case study approach, argued that retailing now requires a modified approach to market orientation. We certainly are witnessing changes. Some major UK retail companies (e.g. Boots and Tesco) have set about realising the potential of relationship marketing (RM) by appointing dedicated RM managers and directors to oversee its implementation (Egan, 2001, p. 4). One change was that store loyalty cards entered the UK retail scene from the mid-1990s, which is taken by many to be evidence that retailers have keenly embraced the concept of RM (Pressey and Mathews, 1998).

However, the argument is not clear as Christy *et al.* (1996) suggest that in mass consumer markets the vast dimensions involved have hindered the development of longer-term supplier/buyer relationships. Other studies focus on the potential difficulties in implementing a relationship marketing strategy specifically within a retail context (Gordon, 1994; Pressey and Mathews, 1998, 2000). Pressey and Mathews (2000, p. 273) particularly emphasise that despite the recent use of loyalty cards and database marketing techniques by retailers in the UK, the majority of transactions are "discrete, short-term, one-off acts". Therefore, the question remains as to the use, or balance, between different approaches to marketing. It has been suggested that rather than a marketing paradigm RM may be best identified as a strategic choice (Brodie *et al.*, 1997). An investigation into marketing practices of firms in New Zealand indicates that the majority of the firms surveyed were, in fact, using a combination of transactional and relational approaches and that managers maintain a "portfolio" of strategy types; indicating that transactional marketing is relevant for many firms and should not be underestimated (Brodie *et al.*, 1997).

Marketing exchanges have typically been classified as either transactional or relational. Given that the term "relational exchange" can be a "catch-all" (including everything from database management to personalised service, loyalty programmes, internal marketing, personal/social relationships, business-to-business buyer-seller relationships, and strategic alliances), Coviello *et al.* (1997) sought to identify a classification scheme of marketing approaches along 12 dimensions relative to marketing practice and identified two general marketing perspectives,

International Journal of Retail & Distribution Management
Volume 32 · Number 5 · 2004 · pp. 242-251
 · ISSN 0959-0552
DOI 10.1108/09590550410534587

International Journal of Retail & Distribution Management
Volume 32 · Number 5 · 2004 · 242-251

encompassing distinct types of marketing. Pels *et al.* (2000) have developed this work further by indicating that what Coviello *et al.* (1997) refer to as database marketing "is perhaps a type of marketing practice that actually falls within the transactional exchange dimension". Database marketing communication is argued to be a "to" the customer effort, controlled by the seller with the duration of the exchange being essentially discrete. They amended the original categorisation with this in mind to, "marketing perspective" including transactional perspective, relational perspective and, "type of marketing practice" including transaction marketing, database marketing, interaction marketing and network marketing.

Brodie *et al.*'s (1997) study of companies in New Zealand, using this classification, found that the majority of companies practise more than one type of marketing and some all types. The results suggest that certain types of marketing practice are more common in some industry sectors rather than others, although it does not imply exclusivity. The researchers note that, for example, large consumer goods firms tend to score higher on the transaction marketing index and companies that used a transaction approach also tend to favour database marketing; and that there is a similar correlation between interaction and network approach. Their study concludes "for managers, it then becomes important to fully understand the nature of their firm's relationships (either current or desired), and from this, recognise that a "portfolio" of types of marketing should be practised" (Brodie *et al.*, 1997, p. 402).

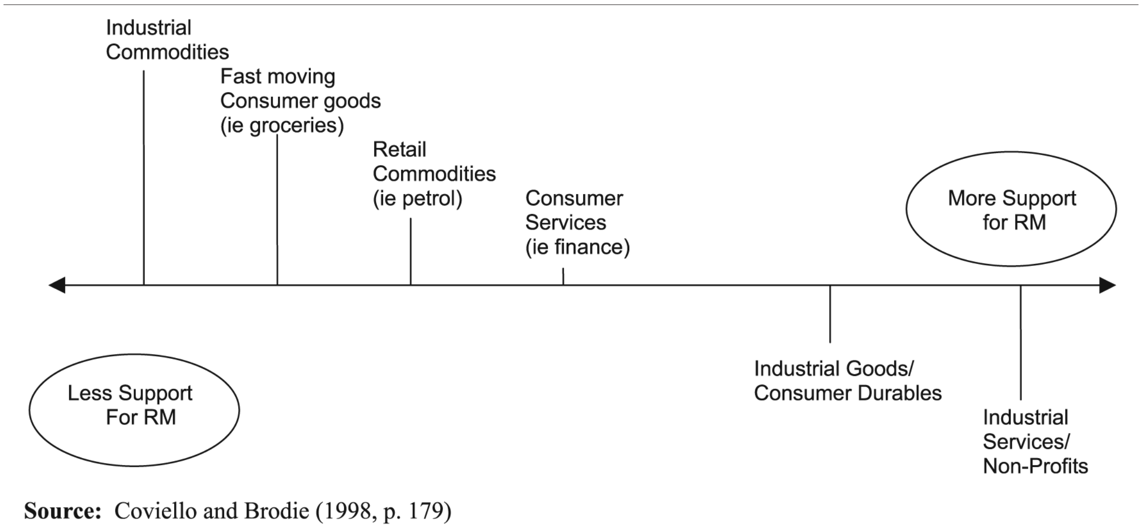
Coviello and Brodie (1998), based on Grönroos (1991), propose a revised continuum, based on their empirical survey of firms as shown in Figure 1. Pressey and Mathews (1998) note that a customer's relationship with a supermarket, for example, cannot be classed as one that fits the characteristics of RM yet by virtue of its repeat nature is not as "discrete" as transaction marketing. According to a survey by Gartner Group (2001), apart from a select few, the UK's largest retail store companies are lagging significantly behind other sectors, notably financial and insurance services, in adopting customer relationship management (CRM) technology and systems.

The highly competitive nature of the UK retail industry also demands that firms continually re-assess their strategy regarding relationships to outmanoeuvre their competitors (Kenyon and Vakola, 2001). This approach emphasises partnerships between firms; multiple types of ownership and partnering within the organisation; multifunctional team-based working; sharing of responsibility for developing converging and overlapping technologies; and often less emphasis on formal contracting and reporting systems (Webster, 1992). A feature of change is that corporate strategies require co-operation rather than confrontation. These co-operative marketing relationships have vertical and horizontal dimensions. The former are represented by attempts to integrate supply chains – Buttle (1999) cites several retail examples:

- Wal-Mart and Procter & Gamble's channel partnership dating from the mid-1980s.
- IKEA's technical assistance and consultancy provision to preferred suppliers.
- Shell Retail's supplier rationalisation programme.

For Elg (2003, p. 115) it is important that market orientation in retailing should include inter-firm

Figure 1 Continuum of support for the "cornerstone" RM propositions



and relational aspects of business. Given marketing is such an important factor in today's retail sector this study set out to investigate the current state of practice in UK retailing based on the areas discussed in the preceding review.

Research methodology

This research study examines contemporary marketing practices (both relational and transactional) as practised in the retail industry in the UK. It also examines moderating factors in order to assess any other company characteristic, such as company size (number of employees), which may predict the type of marketing practice used. The recent studies (Brodie *et al.*, 1997; Pels *et al.*, 2000) suggest that contrary to respected academic works proclaiming a "paradigm shift in marketing", the majority of organisations practise more than one type of marketing, if not all types. This research study utilises the following hypotheses:

$H1_0$. There is no significant association between the type of marketing practice used and industry sector.

$H2_0$. There is no significantly different approach to type of marketing practice used across different sizes of retail companies.

The literature informed the main approach of this research study and to ensure recency two in-depth, semi-structured interviews were carried out with selected senior marketing personnel from retail companies. These interviews were planned to inform the research in order to incorporate any items into the study not previously considered. Interviews were conducted with a director of a multiple department store group and a senior manager of a variety store multiple.

The main source of primary data collection was a structured self-completion questionnaire that also featured several open-ended questions. This questionnaire was developed on the basis of the use of "tick-boxes", and attitude scales given such an approach is more likely to appeal to busy marketing professionals. Sekaran (2000) asserts that one of the hallmarks of scientific research is "replicability", believing that "we will place more faith and credence in ... findings and conclusions, if similar findings emerge on the basis of data collected ... employing the same methods." As the original Brodie *et al.* questionnaire was not in the public domain and with the issue of replicability in mind, contact was made with Brodie in Auckland who was kind enough to send the original questionnaire via e-mail. On the combined basis of the interviews and the utilisation of the original Brodie *et al.* (1997) questionnaire an adapted survey questionnaire was drafted. There were some small revisions to ensure applicability to the current UK retail sector and two questions were included regarding customer loyalty schemes.

The content of the questionnaire

The questionnaire sought firm-level data, examining the following variables:

- Categorical information – the organisation's product/service offering, distribution channels, marketing planning, loyalty scheme and size.
- Interval information – the firm's perspective on marketing, responsibilities, its marketing focus, communication, customer contact, use of technology and performance measures.
- Descriptive information – market and company trends.

As pointed out by Jancowicz (1991) attitudes are complex, and if you assess them on just one scaled item the result may not be very reliable. Jancowicz (1991, p. 246) suggests: "it's far better to use several different items which cover various aspects of the issue in question, and derive some kind of combined score". This is the approach that has been adopted in both Brodie *et al.*'s (1997) and this study where a summated rating is calculated for each respondent regarding their use of the different marketing types.

The questionnaire was pilot tested on three former executives and two senior retail marketing contacts. Each was invited to comment on ease of understanding, coherence of content and clarity of instruction. The feedback suggested that the requested data were available, the terms and definitions used were understood. However, additional description was added to all Likert scales. Finally, the length of the questionnaire was a cause for concern and several questions dealing with peripheral subjects were removed. The revised questionnaire was then re-piloted to a different pilot sample and found acceptable.

The sample

The sampling method used for this research is modelled on purposive sampling (Jancowicz, 1991, p. 143), whereby the choice of sample is made so that certain pre-conditions are met in respect of choosing respondents whose views are relevant to the issue in question. The purposive sampling approach included private and public companies with over 100 employees and was based on the following four industry sectors:

(1) grocery and convenience retailers;

International Journal of Retail & Distribution Management
Volume 32 · Number 5 · 2004 · 242-251

(2) audio, photographic and IT specialist retailers;
(3) retail banking and financial services providers; and
(4) optical, health, hair and beauty services providers.

The sampling frame of these sectors totals some 456 companies. The Rea and Parker (1997) formula for populations of less than 100,000 was utilised and a confidence level of 0.5 chosen. The minimum total sample size found was 32 cases; however, given that four retail sectors are to be sampled, it was felt that 40 would be more appropriate. Given this study's efforts to minimise non-response a response rate of 20 per cent was felt to be achievable. Therefore, the number of companies surveyed is 200. A sampling frame (population) was drawn up for each of the industry sectors, from *The Retail Directory of the UK* 2001 edition (Hemming Information Services, 2001). A simple random sample of companies was then taken, using random number tables. Questionnaires were targeted at director of marketing (or equivalent) in each company. Research identified the target individual by name in order that all communication could be personalised and responses checked as to who had completed the survey. Telephone calls were made to each target (or his/her personal assistant) before the questionnaires and covering letters were sent out. The questionnaire and covering letter were sent to respondents by e-mail. To ensure that all e-mail eventualities were covered a rich text format (.rtf) was used, rather than Word. If necessary an e-mail reminder message was sent out on the following 7th and 14th days and a progress worksheet was used to track the questionnaires through the entire process. If companies requested a postal version, a unique coding was incorporated into the paper for identification purposes.

Data analysis

A total of 200 questionnaires were sent out; 55 replies were received, of which 49 were deemed to be valid. This constitutes a usable response rate of 24.5 per cent. Of the 49 usable responses, 25 hard copy and 24 electronic responses were received. The financial sector had a higher proportion (73.3 per cent) of electronic responses than the others, with the grocery sector having the least (22.2 per cent).

Table I shows that although the responses came from across the four sectors, the service "providers" sectors (3 and 4) had a higher return (59.2 per cent of respondents came from these two sectors). Chi square analysis for goodness of fit, shows that our X^2_{obt} value (1.857) is less than the X^2_{crit} value (7.82) at three degrees of freedom and 0.05 significance level, therefore we deduce that the distribution of responses across sectors is probably due to chance.

Table I Characteristics of questionnaire respondents

	Number (49)	%
Industry sector		
1. Grocery and convenience retailers	11	22.4
2. Audio, photo and IT specialist retailers	9	18.4
3. Retail banking and financial services	15	30.6
4. Optical, health, hair and beauty services	14	28.6
No. of employees		
Between 100-499	23	46.9
500-999	9	18.4
1,000-5,000	12	24.5
5,001 and over	5	10.2
No of marketing employees		
Less than 5	24	49.0
5-20	19	38.8
21-50	1	2.0
51 and over	5	10.2
Timescale of formal marketing planning		
No formal marketing planning	16	32.7
Short term (up to one year)	7	14.3
Medium term (one to three years)	22	44.9
Long term (over three years)	4	8.1
Reported use of technology		
Not at all advanced	5	10.2
Slightly behind	9	18.4
OK	24	49.0
Advanced	10	20.4
Definitely advanced	1	2.0

Source: This study

Description of sample

Almost half (46.9 per cent) of respondent companies employ less than 500 people. Of the five companies employing over 5,000 the largest two employed over 10,000 staff, both coming from sector 1. The size of marketing function varies greatly across the sample, with two companies not employing any specific marketing personnel, and alternatively the largest numbering 150. Four of the five largest marketing departments are in sector 3 and one in sector 1.

Out of the 49 respondent companies, 33 (67.3 per cent) have a formal marketing plan. Of these, 67 per cent approach their planning in the medium term, that is looking between one and three years ahead with only 12 per cent of marketing planning being longer term.

Formal marketing planning by industry sector
Of the respondents in sector 3 (financial services), 100 per cent conduct formal marketing planning, the other sectors' percentages lying at between 50 and 55.5 per cent.

Over 70 per cent of respondents felt that their companies fared "OK, advanced or definitely advanced" in their current use of technology. This percentage increased to 98 per cent when respondents were asked to comment on their expected use of technology in five years time. The majority of respondents (79.6 per cent) were very positive about becoming either "advanced" or "definitely advanced" technologically in the next five years. The question related to the customer loyalty scheme indicated that 16 out of the 49 respondent companies (32.65 per cent) have some form of loyalty scheme. The split by industry sector was tested by chi square analysis for goodness of fit and found to be similar for each sector.

Respondents" personal perceptions of marketing practices and industry trends were sought via three open-ended questions, in order to add richness and understanding to the subject, and to validate and "de-code" the quantitative responses. Answers were categorised by frequency of "mention": 75 per cent of the usable 49 survey responses contained answers from all sectors. There is a definite focus on marketing activities being directed towards both attracting new, and retaining/growing existing customers. This is not sector-specific. Respondents were then asked to identify the major trends affecting the retail industry. There was no one retail trend dominant across all four sectors sampled. Respondents feel that their company's marketing practices are changing to become increasingly focussed on the relationship with the customer. Technology is used increasingly, both as an internal corporate tool and also as a vehicle for customer contact, information giving/gathering and as an alternative channel of distribution.

Industry specific trends – qualitative questions

Sector 1 – grocery and convenience retailers
Changes to marketing practice include focussing on the relationship with the customer with increased use of technology and the Internet. A price-driven approach is seen as appropriate in this highly competitive fast-moving consumer goods (fmcg) sector of the market, however a move away from mass media advertising to a more targeted approach is favoured. Customers increasingly have higher expectations regarding value and service.

Sector 2 – audio, photographic and IT specialist retailers
Very price-sensitive and this market features customers demanding high levels of product knowledge and after-sales service. Changes to marketing practice also include focussing on the relationship with the customer but also emphasising the price-driven approach. Companies emphasise the "holistic" nature of their offering, selling a total package of brand/ knowledge/price/service and after-sales service.

Sector 3 – retail banking and financial services providers
The importance of relationship building with customers and the use of CRM and other customer-specific strategies (segmentation and database marketing) is clearly documented. There is low visibility via traditional channels of distribution, and increasing use of the Internet and other new technologies – 60 per cent of sector 3 respondents have no face-to-face contact with their customers. Price competition is not highlighted but building brand awareness is as is the importance of the use of alliances, networks and partnerships.

Sector 4 – optical, health, hair and beauty service providers
The importance of relationship building with customers, and the use of CRM and other customer-specific strategies (e.g. segmentation and database marketing) are clearly visible. Customer service and customer satisfaction is important. This marketplace features increasing expectations and more demanding customers. Price is not a feature. Many companies are now emphasising the "holistic" and "total-care" nature of their offering selling a total package of brand/ knowledge/service and after-sales service.

Quantitative analysis – current marketing practices used

This study uses the "rating" method devised and used by Brodie *et al.*'s (1997) study whereby each company has four indices, which can be categorised as Low, Medium or High. These

International Journal of Retail & Distribution Management
Volume 32 · Number 5 · 2004 · 242-251

reflect the extent to which the company is likely to practise transaction, database, interaction or network marketing.

Table II shows the likelihood of each marketing type being used, across the total sample. Results show that the majority of organisations probably practise more than one type of marketing.

Table II shows that the transaction marketing index is very strong, with a 100 per cent "Medium" or "High" rating (see Table III for index to ratings). At the same time, over 80 per cent of respondents rated "Medium" or "High" on the database and interaction marketing indices. The incidence of network marketing is far lower than the others with 62 per cent of respondents rating it "Low". When each individual sector's average summated marketing ratings are considered there is little overall difference between them. Table IV illustrates that all sectors fall into a high transactional marketing, medium relational marketing position.

Using an analysis of variance (ANOVA) each respondent's summated rating of marketing type (the likelihood of them using each of the four marketing types) is considered, and an overall picture emerges of any differences in the means between the four sectors. Because the sector samples are small the data were checked prior to analysis for normality of distribution and this was acceptable. The ANOVA provides a direct test of the null hypothesis that states that there is no significant association between the type of marketing practice used and industry sector. A significant difference between any two means will yield a significant F result.

From Table V, since the F_{obt} values (1.15, 0.118, 0.973, 0.749) are lower than the F_{crit} (between 2.021 and 2.000 (Grimm, 1993)), there is not a statistically significant difference between the marketing variables by industry sector, and no evidence that specific marketing practices might be more prevalent in specific industry sectors. To investigate if there were any specific differences multiple t-tests for independent samples are used. Six t-tests were carried out on the individual pairings by sector but none of these found anything significant.

Table III Key to index ratings and how they relate to survey results

Rating	How it relates to survey results
Low	An average of <3 (on the five-point Likert scale for survey questions)
Medium	An average of 3-3.8 (on the five-point Likert scale for survey questions)
High	An average of >3.8 (on the five-point Likert scale for survey questions)

Source: Brodie *et al.* (1997)

Table IV Average summated ratings, by sector, for different marketing types

Retail sector	Transactional marketing	Relational marketing (includes database, interaction and network marketing)
1	4.26	3.19
2	4.51	3.22
3	4.18	3.19
4	4.18	3.19

Source: This study

Therefore, the results of the statistical tests suggest that there is not a statistically significant difference between the marketing variables by industry sector and no evidence to support the view that specific marketing practices might be more prevalent in different industry sectors.

Simultaneous use of several marketing types

As detailed in Table II, initial consideration of the data shows that the majority of respondents practice more than one type of marketing. A scatter plot of the data indicates that a linear relationship exists between most variables although for some this is weak. For transaction against interaction and transaction against database marketing the plots demonstrate weak associations where perhaps due to the smaller sample size, or the presence of scores at the edge of the band correlation is not significant.

Table II Comparison of index values by marketing type

	Transaction		Database		Interaction		Network	
Index value	**Units**	**%**	**Units**	**%**	**Units**	**%**	**Units**	**%**
Low			8	16.3	9	18.4	30	61.2
Medium	8	16.3	29	59.2	28	57.1	13	26.5
High	41	83.7	12	24.5	12	24.5	6	12.3
Total	49	100	49	100	49	100	49	100

Source: This study

International Journal of Retail & Distribution Management
Volume 32 · Number 5 · 2004 · 242-251

Table V ANOVA results: marketing practice in each industry sector

	ANOVA				
	Sum of squares	**df**	**Mean square**	***F***	**Sig.**
Average rating transaction marketing					
Between groups	0.728	3	0.243	1.150	0.339
Within groups	9.501	45	0.211		
Total	10.229	48			
Average rating database marketing					
Between groups	0.105	3	3.497E-02	0.118	0.949
Within groups	13.351	45	0.297		
Total	13.458	48			
Average rating Interaction marketing					
Between groups	0.916	3	0.305	0.973	0.414
Within groups	14.122	45	0.314		
Total	15.038	48			
Average rating network marketing					
Between groups	1.159	3	0.386	0.749	0.529
Within groups	23.221	45	0.516		
Total	24.381	48			

Source: This study

Pearson's r measure of correlation

This study uses one of the most common measures of bi-variate linear correlation, Pearson's *r* – which is a pure correlation of all the pairs without controlling for any other variable. Table VI shows the results for the Pearson's *r* analysis of correlation, and the significance of any relationships at the 0.05 level.

Figure 2 shows the relationships between the four marketing types, with details of their Pearson's *r* scores.

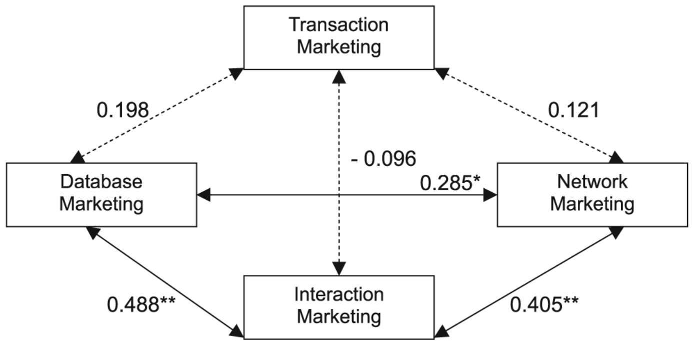
Given the statistically significant correlations of interaction and database marketing; interaction and network marketing; network and database marketing, this suggests that there is indeed a valid association between several types of marketing, and it is not unlikely that companies undertake simultaneous use of several types of marketing (Figure 2). Partial correlation analysis was carried out as a secondary test on the data as this test is less affected by the sample size of each sector. Three separate calculations were made using a variety of control variables. In all three cases the paired

Table VI Pearson's *r* correlation results – marketing practices pairings

	Correlation			
	Average rating transaction marketing	**Average rating database marketing**	**Average rating interaction marketing**	**Average rating network marketing**
Average rating transaction marketing				
Pearson correlation	1.000	0.198	−0.096	0.121
Sig. (two-tailed)	.	0.172	0.513	0.409
n	49	49	49	49
Average rating database marketing				
Pearson correlation	0.198	1.000	0.488**	0.285*
Sig. (two-tailed)	0.172	.	0.000	0.047
n	49	49	49	49
Average rating interaction marketing				
Pearson correlation	0.096	0.488**	1.000	0.405**
Sig. (two-tailed)	0.513	0.000	.	0.004
n	49	49	49	49
Average rating network marketing				
Pearson correlation	0.121	0.285*	0.405**	1.000
Sig. (two-tailed)	0.409	0.047	0.004	.
n	49	49	49	49

Notes: * Correlation is significant at the 0.05 level (two-tailed); Correlation is significant at the 0.01 level (two-tailed)

Figure 2 Pearson's *r* correlations between the four marketing types



** Correlation is significant at the 0.01 level
* Correlation is significant at the 0.05 level

Source: This study

sectors that emerge with the greatest degree of association are the same ones that are highlighted by the previous calculations as statistically significant.

The results of the Pearson's *r*, and partial correlation tests suggest that there is indeed a statistically significant association between several types of marketing, particularly interaction and network marketing, database and network marketing, and transaction and network marketing.

Relationship qualities by sector

ANOVA was used to compare how each sector perceives their style of contact and ongoing relationships with their primary customers. Three points of interest emerged (significant at 0.01). These were investigated further using independent *t*-tests.

Significant points are as follows:
- Sector 1 (grocery and convenience) is likely to have the least close and least personalised dealings with primary customers.
- Sector 2 (audio, photo and IT specialist) claims to "Never" have impersonal dealings with customers.
- Interestingly, Sector 2 was the only sector to show a significant correlation between transaction and database marketing. This use of database marketing may link with them never having impersonal dealings with customers.

The second hypothesis was tested to assess any moderating effect of external variables (in this instance, the size of company/number of employees). By investigating the existence of such a moderated relationship this study can avoid inferring that a set of findings pertains to the whole sample when in fact it really only holds true for a portion of the sample. Three categories were considered as follows:
(1) Companies with between 100 and 399 employees ($n = 18$).
(2) Companies with between 400 and 1,499 employees ($n = 16$).
(3) Companies with over 1,500 employees ($n = 15$).

Analysis

Table VII shows the results of Pearson's *r* correlation analysis, as follows:
- *Interaction/database*. This relationship does not appear to be moderated by size of company.
- *Interaction/network*. This relationship does appear to be moderated by size of company, with the significance of the correlation increasing with size of company.
- *Network/database*. This relationship also appears to be moderated by size of company, with only the largest companies showing significant levels of correlation. Small and medium-sized companies appear unlikely to practise this combination.

Similar analysis was conducted on the other three pairings of marketing practices, which although not significant at total sample level could show variations when considered by size category. In two cases, it appears that company size may well be a moderating variable – transaction/database marketing is statistically more likely to occur in smaller companies and transaction/network marketing in large ones at a significance level of 0.1. The results of the Pearson's *r* correlation tests suggest that the size of company does appear to have a moderating effect on the relationships between marketing variables.

Conclusions

Across all four retail sectors the qualitative research highlights that marketing activities are increasingly directed towards both attracting new and retaining/growing existing customers. Respondents feel that their company marketing practices are changing to become increasingly focussed on the relationship with the customer. This is important as Too *et al.* (2001) have shown that for clothing stores relationship marketing is a key to building enhanced commitment and loyalty. The study results indicate technology is used increasingly both as an internal corporate tool and also as a vehicle for customer contact, information giving/gathering and as an alternative channel of

International Journal of Retail & Distribution Management
Volume 32 · Number 5 · 2004 · 242-251

Table VII Correlation information, by company size, for the "significant" marketing relationships identified

Correlation	Company size	Pearson *r*	"*p*" value	Comment
Interaction/database	1	0.549	0.018*	* Significant at 0.05 level
	2	0.439	0.089	Significant at 0.10 level
	3	0.600	0.018*	* Significant at 0.05 level
Interaction/network	1	0.313	0.206	Not significant
	2	0.496	0.051	Significant at 0.10 level
	3	0.517	0.049*	* Significant at 0.05 level
Network/database	1	0.109	0.667	Not significant
	2	0.116	0.670	Not significant
	3	0.700	0.004**	** Significant at 0.01 level

Source: This study

distribution. Sectors 1 and 2 (the traditional retail stores) are characterised by their continued focus on price competition while Sectors 3 and 4(the retail service providers) emphasise the use of CRM and other customer-specific strategies. The average marketing index ratings show that the use of transaction marketing is very strong across all retail sectors, whereas network marketing is not.

No evidence was found of a difference between the marketing variables by industry sector, nor that marketing practices might be more prevalent in specific industry sectors. Correlation analysis indicated that a variety of marketing types are being practised simultaneously across retail companies, particularly interaction/network, database/network, and interaction/database marketing variables. In addition the effect of moderating variables, in this case size of company, was considered and correlation test results suggest that these relationships are affected by size of company.

The results of this study do not suggest that any one of the retail sectors surveyed is either more, or less, likely to practise any particular marketing type. In keeping with Brodie *et al.*'s (1997) findings, all four types of marketing are in evidence and practised by most types of firms to varying degrees, so challenging Grönroos" (1991) continuum, whereby relationship marketing is more likely to be applied than transaction marketing for the service industry as a whole. The transactional and relational marketing approaches do co-exist in UK retail and as Pels *et al.* (2000) suggested, they are not mutually exclusive thereby giving no substantive evidence of a "paradigm shift".

Managerial thinking may well have "shifted" in recent years, with the qualitative research highlighting the growing need to build and maintain relationships over time, and the importance of increasing customer orientation; however this is not to be achieved at the expense of transaction marketing, as can be seen by its high acceptance rating across the sample (100 per cent medium/high likelihood of its use, compared with only 81 per cent in the Brodie study). This supports Pressey and Mathews' (1998, 2000) view that in some retail sectors a transactional approach may currently still be the most appropriate.

This study shows that the uptake of network marketing is far lower (38.8 per cent medium/ high) than in the Brodie *et al.* (1997) study (66 per cent). Only one sector (retail banking and financial services providers) highlights the importance of alliances and partnering in the qualitative questioning. Sheth and Parvatyar (2000) feel that increasingly corporate strategies require such cooperation and collaboration; however, this study suggests that in UK retail this is still in its infancy. The adoption on network marketing does not reflect other studies (Buzzell and Ortmeyer, 1995) which lead us to believe that the larger retail players are increasingly involved in channel partnerships and alliances as a matter of course. However, the number of companies in this current study with 47 per cent with under 500 employees may account for this.

For both the New Zealand study (Brodie *et al.*, 1997) and this study the database, interaction and network marketing variables were significantly correlated and likely to be practised simultaneously. However, unlike the Brodie *et al.* (1997) study where "if a firm practises transaction marketing, it is also likely to practise database marketing", there was no overall correlation between Transaction and any other form of marketing in this UK study. This leads us to accept Coviello *et al.*'s (1997) classification of marketing exchanges where database marketing is viewed as a constituent of relational marketing rather than Pels *et al.*'s (2000) work which argues database marketing falls within the transactional exchange dimension.

When asked about the nature of their relationships with customers the grocery and convenience sector (sector one) was likely to have the least close and least personalised dealings, whereas sector two (audio, photo and IT specialist retailers) claims to "never" have impersonal dealings with customers. This reflects Barnes' (1994) belief that where customers may see the need for a trusting, committed relationship there will be a higher level of interpersonal contact; and Christy *et al*.'s (1996) suggestion that both the market-segment and the product field in question may influence "relationship-friendliness" or not.

It may be surprising that each sector's average marketing ratings show so little overall difference between them. Certainly, the Brodie *et al.* (1997) study demonstrated far greater diversity within the sample, however their sample was wider and more substantial. Despite trying to offer a spectrum of diversity within the UK retail industry (through the pre-selection of the four sectors) it appears that within the UK retail industry similarities between sectors may outweigh the differences. The most important moderating variable may actually be that all the respondents are retailers, rather than a specific type of retailer.

References

Barnes, J. (1994), "Close to the customer: but is it really a relationship?", *Journal of Marketing Management*, Vol. 10, pp. 561-70.

Brodie, R., Coviello, N., Brooks, R. and Little, V. (1997), "Towards a paradigm shift in marketing: an examination of current marketing practices", *Journal of Marketing Management*, Vol. 13 No. 5, pp. 383-406.

Buttle, F. (1999), "The SCOPE of customer relationship management", *Journal of Customer Relationship Management*, Vol. 1 No. 4, pp. 327-36.

Buzzell, R. and Ortmeyer, G. (1995), "Channel partnerships streamline distribution", *Sloan Management Review*, Vol. 36 No. 3, pp. 85-95.

Christy, R., Oliver, G. and Penn, J. (1996), "Relationship marketing in consumer markets", *Journal of Marketing Management*, Vol. 12, pp. 175-87.

Coviello, N.E. and Brodie, R.J. (1998), "From transaction marketing to relationship marketing: an investigation of managerial perceptions and practices", *Journal of Strategic Marketing*, Vol. 6 No. 3, pp. 171-86.

Coviello, N., Brodie, R. and Munro, H. (1997), "Understanding contemporary marketing: development of a classification scheme", *Journal of Marketing Management*, Vol. 13, pp. 501-22.

Egan, J. (2001), *Relationship Marketing: Exploring Relational Strategies in Marketing*, Prentice Hall, Harlow.

Elg, U. (2003), "Retail market orientation: a preliminary framework", *International Journal of Retail & Distribution Management*, Vol. 31 No. 2, pp. 107-17.

Gartner Group (2001), "Gartner finds retailers are confused about CRM strategy", available at: www.crm-forum.com/cgi-bin/item.cgi?id= (accessed 22 June 2001).

Gordon, H. (1994), "Retailers are ready for relationship marketing", *Direct Marketing*, Vol. 56 No. 9, pp. 38-44.

Grimm, L. (1993), *Statistical Applications for the Behavioral Sciences*, John Wiley & Sons, New York, NY.

Grönroos, C. (1991), "The marketing strategy continuum: a marketing concept for the 1990s", *Management Decision*, Vol. 29 No. 1, pp. 7-13.

Hemming Information Services (2001), *The Retail Directory of the UK*, Hemming, London.

Jancowicz, A. (1991), *Business Research Projects for Students*, Chapman and Hall, London.

Kenyon, J. and Vakola, M. (2001), "Evolving the customer relationship management paradigm in the retail industry", *International Journal of Customer Relationship Management*, March/April, pp. 313-32.

Pels, J., Coviello, N. and Brodie, R. (2000), "Integrating transactional and relational marketing exchange: a pluralistic perspective", *Journal of Marketing Theory and Practice*, Vol. 8 No. 3, pp. 11-21.

Piercy, N. and Alexander, N. (1988), "The status quo of the marketing organisation in UK retailing: a neglected phenomenon", *Service Industries Journal*, Vol. 8 No. 2, pp. 155-75.

Pressey, A. and Mathews, B. (1998), "Relationship marketing and retailing: comfortable bedfellows?", *International Journal of Customer Relationship Management*, Vol. 1 No. 1, pp. 39-52.

Pressey, A. and Mathews, B. (2000), "Barriers to relationship marketing in consumer retailing", *Journal of Services Marketing*, Vol. 14 No. 3, pp. 272-86.

Rea, L. and Parker, R. (1997), *Designing and Conducting Survey Research – A Comprehensive Guide*, 2nd ed., Jossey-Bass, San Francisco, CA.

Sekaran, U. (2000), *Research Methods for Business – A Skill-building Approach*, 3rd ed., Wiley, New York, NY.

Sheth, J. and Parvatyar, A. (Eds) (2000), *Handbook of Relationship Marketing*, Sage, London.

Too, L.H., Souchon, A.L. and Thirkell, P.C. (2001), "Relationship marketing and customer loyalty in a retail setting: a dydadic exploration", *Journal of Marketing Management*, Vol. 17, pp. 287-319.

Webster, F. (1992), "The changing role of marketing in the corporation", *Journal of Marketing*, Vol. 56 No. 4, pp. 1-18.

Further reading

Egan, J. (2000), "Drivers to relational strategies in retailing", *International Journal of Retail & Distribution Management*, Vol. 28 No. 8, pp. 379-86.

Mazur, L. (2001), "The only way to compete now is with an alliance", *Marketing*, 15 February, p. 20.

Moser, C. and Kalton, G. (1971), *Survey Methods in Social Investigation*, Heinemann, London.