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PhD

Diffusion-Differentiation-ReEntry: Exemplification of a sequence of development by the paradigm shift from transactional to relational marketing

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1 Introduction

At present, low profound sociological analytics on the paradigm shift from transactional to relational marketing; to systems theoretically describe and explain the paradigm shift from transactional to relational marketing as the research question and purpose of this dissertation.

Short introduction to the paradigm shift from transactional to relational marketing in economic terms; resume of the most fundamental findings of this research a) to conceptualize the paradigm shift from transactional to relational marketing as a development from one-off and anonymous transaction to stabilized and personalized exchange relations, and b) to show an evolutionary line from diffusion over differentiation to re-entry.

Argumentation: a) to pinpoint re-entry of the dimensions of social, temporal, and spatial into the factual dimension at the emergence of Direct Marketing, Dialog Marketing, One-to-One Marketing, Retention Marketing, and Interaction Marketing, and b) apart from the distinction of factual/social/temporal/spatial, to adumbrate re-entry at a lot of other distinctions by pointing to more new phenomena on the levels of market and formal organization.

Brief overview of the contents of each of the dissertation`s chapters.

Procedure: a) at first, to specify the new phenomena of marketing, and then b) with mere reference to the new marketing terms defined before, to deduce implications for several substantial and famous integral parts of systems theory.

2 The object of research: The paradigm shift from transactional to relational marketing

2.1 Marketing generally

Time and region of the emergence of marketing; market changes as the basis for the emergence of marketing; the idea behind marketing; marketing aims; target groups of marketing; Business-to-Business Marketing versus Business-to-Consumer Marketing; groups that raise a claim towards the firm`s marketing department; marketing as one of several function units of a firm; historical changes in the significance of marketing among the firm`s function units; differences of marketing between industries and types of markets.

Transactional Marketing and the 4 Ps of product, price, place, and promotion (respectively definition; aims; forms and subforms; peculiarities; methods; mode of operation; interrelations between these four marketing instruments).

Market research

(time and region of emergence; definition; aims; forms and subforms; methods; dependence of marketing on market research).

2.2 Relationship Marketing

General defining assumptions of Relationship Marketing, such as stages in the development of a relation between buyer and seller, stabilization of an exchange relation for the profit of both sides (win-win relation), and more.

Differentiation of the terms of customer orientation (to consider the customer's needs and beliefs), closeness to customers (touch points), customer management (structures and processes of the firm), customer satisfaction (as a result of the customer's expectations and perception), and customer loyalty (actual versus intended purchases, word-of-mouth recommendations by the customer).

Different historical phases in the development towards customer orientation; changes on the levels of societal structure, market, and semantics as primary conditions for the emergence of Relationship Marketing, such as globalization, increase of product offerings, homogeneity among products as to basal benefit, market saturation, maturation of markets, high product mobility, severe competition, price wars, information overload, consumer annoyance against advertising, emancipation of consumers, and individualism; on contemporary saturated, mature, and highly competitive Western product markets to acquire new customers is about ten times more costly for the firm than to retain its existing customers; changes on the levels of organizational structure, management, infrastructure, and technology as further, though not driving conditions for the implementation of Relationship Marketing.

2.3 Demarcation of Transactional and Relational Marketing

Classic characterization of exchange on Western product markets until the end of the 20th century, such as flow production and mass production, benefit of the core product as sufficient to meet demand, emphasis on manufacturing facilities in terms of starting up and increasing production, no market-oriented production and no integration of consumers in the process of production, mass market communication (e.g. advertisement via radio, television, and road sign), one-way communication from the producer to consumers, anonymity and impersonal communication on markets, no value ascribed to interaction with the customer in terms of generation of customer data and customer retention (e.g. emergence of supermarkets, semantics to cut down on interaction), presentation of products depending on interaction (trade fairs), great importance ascribed to contract and authority, short-term profit orientation of the firm, loose one-off exchange, insecure quid-pro-quo exchange, no crucial economic relevance of the customer's word-of-mouth, isolated local manufacture of the goods, value chain dominated by the producer, strict hierarchical control of formal organization, exploitation of labor, and no systematic inter-functionally integrated approach to markets.

Cognitive changes of marketing: a) shift from anonymous and one-off transaction to personalized and stabilized exchange relations (emergence of Direct Marketing, Dialog Marketing, Interactive Marketing, Interaction Marketing, Event Marketing, One-to-One Marketing, Retention Marketing, and Network Marketing), b) shift from short-term to long-term profit orientation by evaluation of the firm's customers, disinvestment in the relation with less valuable customers and investment in the relation with valuable customers in order to tap the full potential (emergence of the rationality of customer lifetime value), and c) all-embracing enlargement of marketing strategy and measures (emergence of customer management).

Customer Management

(customer management as a generic term, definition; life cycle of customer needs versus life cycle of customer relationship; phases of customer relationship life cycle, such as phase of initiation, first phase of endangerment of the relation, phase of socialization, phase of intensification, phase of maturation, second phase of endangerment of the relation, phase of decline, third phase of endangerment of the relation, phase of termination, and phase of

revival; adjustment of marketing measures to the respective phase of customer relationship life cycle, such as measures to gain customers, to retain customers, to prevent cancellation, to regain customers, and to exit a relation; respectively definition, target groups, barriers, and risks of customer acquisition, customer retention, prevention of cancellation, regain management, and exit management; definition and features of quality management, customer complaint management, and IT solutions which are component parts of customer management independent of customer relationship life cycle; organizational conditions conducive to the implementation of customer management, such as corporate culture of co-operation, rapid and intense intra-organizational informational flows, horizontal intra-organizational relations, low formalization, and for-customer remuneration of employees; communication systems versus information systems).

Value-oriented Marketing

(definition; new crucial insights as “80% of the turnover by 20% of the firm`s customers”; methods, such as customer base analysis, customer potential analysis, determination of customer lifetime value and customer equity, customer segmentation, customer scoring, and customer ABC-ranking).

Direct Marketing, Dialog Marketing, Interactive Marketing, Interaction Marketing, One-to-One Marketing, Retention Marketing, and Network Marketing

(respectively definition; aims, such as rebuy, cross selling, up selling, reliability of the exchange partner, exchange of intangible goods, consumer awareness, consumer response, collection of consumer data, feedback by customers, brand building, and many more; respectively mode of operation; one spot advertising versus advertising campaign as up to three sequenced and concerted units of communication to sensitively guide consumers by degrees to a product; Social Marketing; concrete examples).

Crucial differences between Transactional and Relational Marketing

(transactional above-the-line media versus relational below-the-line media; relationship marketing as communication in the background; relationship marketing as exclusive offering *and* discrimination).

2.4 Several constructs of Relationship Marketing

Individualization of consumer benefit

(end of mass production (Fordism): time, place, and reasons; underlying changes on the levels of market, societal structure, and technology; non-durable versus durable goods; consumer versus capital goods; goods versus services; low versus high price products; commodity approach; emergence of new industries to meet the demand for convenience, lifestyle, and self-realization; One-to-One Marketing in terms of Segment of One; individualized products versus constructed product segments; concrete examples).

Incentive and added value

(respectively definition; underlying changes on the level of market, such as market saturation, homogeneity of products as to core advantage, increase in product offerings, and severe competition; mode of operation; forms, like give aways, premium, customer magazine, e-newsletter, customer specific information services mostly by SMS, home delivery, just-in-time delivery, specific rights of customer support, and many more; wide range of use from customer acquisition, customer retention, prevention of cancellation to regain management; problem to attract customers not intrinsically committed to the core product; incentive and

added value as separate versus constituent, for the latter to instance couponing, club-membership, and Key Account Management; the higher the customer value (B2B against B2C, consumption against capital goods) the more personalized and valuable the chosen additional benefit; new forms of co-operation among producers for value added goods and services available to customers; concrete examples).

Database Marketing

(definition; development from Push to Pull Marketing; types of data; B2B versus B2C database marketing; terminology of data warehouse management and data mining; tools of data collection, storage, and analysis, for the latter to instance hazard regression and decision tree; role of database marketing as basis for management decisions; range of data use, such as selection of relevant addresses for a mailing; Geo Marketing (digital maps of market data); dependence of database marketing on technology; database software, such as OLAP and Business Intelligence; idea, structures, and problems of Global Data Synchronization among the firms of a value chain).

In-between Transactional and Relational Marketing: Brands and Personification

(respectively definition; underlying historical changes; aims; forms; features; mode of operation, such as reduction of complexity, trust, and emotion; frequency of occurrence; concrete examples).

Communication media of Relationship Marketing, such as greeting card on Christmas or the customer's birthday, customer magazine, shipping of a catalog, direct mail, couponing, telemarketing, fax marketing, mobile marketing, e-mail marketing, e-newsletter, IT marketing, search engine marketing, sales force, after sales services, customer support, questioning of customers, platform of consumer chats on the Internet created by the firm, club-membership, store card, premium, loyalty bonus like Payback and Happy Digits as the two largest programs in Germany, in case of dissatisfaction compensation in money or gifts (definition; forms; features; range of use; frequency of occurrence; future trend; distinct combination of instruments; benefit from the perspective of the customer; pros and cons from the perspective of marketers; concrete examples).

Direct Marketing

(definition; time, place, and reasons of emergence; aims; mode of operation; range of use; communication media, see above; emerging lines of business around Direct Marketing, for instance, address broker, call center, letter shops, delivery agencies, and fulfillment center (respectively definition; forms; tasks; problems); regulatory framework and legal restrictions against Direct Marketing, such as Data Protection Act, Act Against Unfair Practices, and code of honor of marketers; Permission Marketing (definition; forms; features; e-marketing as primary area; balancing out the negative effects of Direct Marketing); internationalization of Direct Marketing; concrete examples).

Dialog Marketing and Interactive Marketing

(respectively definition; time, place, and reasons of emergence; aims; mode of operation; range of use; communication media, see above; concrete examples).

Upvaluation of retail sales talk, Interaction Marketing, Key Account Management, One-to-One Marketing, and Event Marketing; the relative decline of trade fairs as exception

(respectively definition; historical development; forms; features; aims; mode of operation; communication media, see above; ranking of the different means of communication (interaction ranked before telephone ranked before e-mail and so on); B2B versus B2C

marketing; downmarket product versus high quality product for discerning customers; small firms, especially firms carried on by the owner versus chain stores of an affiliated group; differences between industries; concrete examples).

Local self-regulation

(definition; legitimization of local self-regulation on markets manifest at changes of general and managerial semantics as “the price is open to negotiation” and “to take advantage out of a situation”; empowerment of sales personnel to fix a discount or gift according to customer value; recently enacted more liberal sales rights; aim which is to raise sales volume because one interested party would not purchase at the given price and another interested party is actually willing to pay more).

Retention Marketing

(definition; aims; mode of operation; range of use; communication media, see above; four types of close bonds of customers to the product and/or firm: psychological-emotional, contractual, economic, and technical-functional; customer migration (definition; frequency of occurrence; reasons, such as occupational mobility, marriage, death, or dissatisfaction); problem of belated recognition of those customers who disinvest and steadily further withdraw their orders (contractual versus non contractual exchange relations); methods of early detection of exchange relations at risk, such as RFM utilizing three kinds of customer data which are recency, frequency, and monetary value).

Peer-to-Peer Marketing and Referral Management

(respectively definition; aims; mode of operation; forms; features; monetary versus non monetary customer value, for the latter to instance recommendation and feedback by customers; systematic consideration and utilization of informational flows among consumers in acquisition marketing, retention marketing, complaint management, regain management, and exit management; attributes of the referee that influence the product`s and/or firm`s image positively versus negatively; asymmetry between negative and positive word-of-mouth (PWOM, NWOm); recommendation by a human being versus technology-based recommendation; concrete examples).

Network Marketing

(definition; aims; mode of operation; forms; features; distribution channels, such as direct selling and retailing; solitaire versus co-operation (franchising etc.); boom in co-operation in the 1970-80s; bonded systems among firms of an industry; value chain integration; development from Vertical Marketing to Strategic Category Management; relation between manufacturer and distributor according to Trade Marketing, for example, the producer should provide support and hand down advertising packages to the dealer; relational practices of the firm across industries; relational practices of the firm towards non-economic organizations, to instance college and political administration).

Intra-organizational relational management

(end of central control of formal organization (Taylorism): time, place, and reasons; underlying market, societal, and technological changes; top-down versus bottom-up; managerial pros and cons of decentralism; aims, mode of operation, forms, and features of intra-organizational relationship management).

Corporate Social Responsibility

(definition; time, place, and reasons of the concept`s emergence; disparity to the concept of labor of mid 18th century industrialization; aims; mode of operation; forms, for example, to

choose foreign subcontractors according to certain criteria (e.g. no child labor); target groups, such as shareholder, employee, and the public; discrepancy between claim and reality; concrete examples).

Ubiquity of relationship marketing

As a final remark without detailed illustrations and reasoning, the ubiquity of the semantics of building relationships in contemporary society should be mentioned. Accordingly, relationship marketing is practised virtually on all structural and functional levels. Apart from managing relations towards the final customer market, within the formal organization, along the value chain, and across industries, firms forge close links systematically today also towards the financial market, labor market, mass media and so on.

2.5 Market research

Research on customer satisfaction
(barometer of customer opinion, and other).

Research on effectiveness of advertisement
(e.g. research on understanding, break off, and response to a mailing; rates of receipt, opening, and reading of an e-mail).

Milieu research
(time, place, and reasons of emergence; aim which is overall to get to know one's customers; AIO model (activities, interests, and opinions); classification of milieus, for example, according to SINUS traditional worker, modern performer, hedonist etc.; application of findings of milieu research particularly in Database Marketing and Geo Marketing (range of use; concrete examples)).

2.6 Relativization of a paradigm shift from transactional to relational marketing

Relational practices on mature versus transition markets
(economic, psycho-, and socioeconomic reasons).

Relational practices of small versus large firms
(differences in type and intensity of instruments used; reasons, such as different touch points, buyer/seller relation, marketing budget etc.).

Differences in relevance and extent of relational practices between industrial sectors and product categories.

Differentiated application of relational instruments following the type of customer
(types of customers, such as emotional-loyal, discerning-calculating, "sleeping", and variety seeker).

Arguments against customer management, such as occasional buyers as most profitable and sales location as crucial determining factor for a purchase.

Co-existence of transactional and relational marketing

(Multi Channel Marketing and Integrated Marketing (respectively definition; mode of operation; forms; features; synergies due to use of multiple instruments; distinct combination of instruments; coordination of the instruments used in time, symbols, and message; concrete examples); consideration of relationship marketing in product, price, distribution, and communication marketing; “Classic goes CRM”, e.g. interactive television (iTV)).

Relativization of all the “new in terms of discrete” phenomena: although individualization of consumer benefit is today a second economic rationality, economies of scale and scope remain to be realized whenever possible; for all the value added the benefit of the core product remains the primary factor for customer satisfaction and retention; anonymity on product markets is not withdrawn by direct marketing and dialog marketing; independence from interaction on product markets is not withdrawn by interaction marketing; despite deregulation contract and formal agreement remain basic for social order on product markets; the exit-option of exchange relations on product markets is not withdrawn by retention marketing; although business units are outsourced by network, the formal organization keeps the option of internalization; despite decentralism hierarchy remains the constitutive structure of formal organization; economic objectives are basic for and often stay prior to social and environmental corporate responsibility; irrespective of inter-functional inter-organizational bonding at the meso level, functional differentiation is preserved at the macro level (conceptual arguments of marketing; concrete examples; relativization of this relativization (except for the last point)).

2.7 Profit

Relationship marketing is always both: oriented at brand building *and* sales.

Value-oriented marketing

(repetition of main statements from the above, see 2.3).

Account receivable management

(definition; aim which is collection (customer debt); mode of operation; forms; features, such as customer rating referring to validity, solvency, and credit history; mail order trade and e-commerce as main areas of application; software; banks and other agencies).

Economic success by customer management

(models of functional chains of how customer management – in the long-term – reduces costs, raises turnover, and raises market share; reasons for economic success of non-customer-oriented firms, reasons for business failure of customer-oriented firms).

Controlling of customer management

(definition of financial controlling, function for the firm, and position among other function units; customer management as part of and subordinate to the overall business strategy; as all costs of all corporate actions are evaluated in terms of return on investment (ROI), customer management is assessed, for instance, return on regain management (ROR); short-term versus long-term effect of advertising and other marketing measures; problem of ascription of positive/negative effects to a specific marketing measure; types of expenses, such as trade spends and cost-to-serve; the multiple instruments of relational marketing take a different portion of the budget, for example, interaction marketing is more expensive than e-mail marketing; economic, off-economic, and integrated approaches of controlling of customer

management, such as customer contribution margins and balanced scorecard of a firm and network).

Satisfaction trap

(valuable customers in terms of volume of sales are often also demanding customers with reference to abatement of price, just-in-time delivery, value added services etc.; inherent goal conflict between fulfillment of the customer's wants versus minimizing the firm's expenditures).

Exit Management

(along with acquisition marketing, retention marketing, complaint management, prevention of cancellation, and regain management, exit management as integral part of value-oriented marketing; definition; aims; restrictions due to public image of the firm and communication among customers; exit by the customer versus exit by the firm).

3 Investigation and findings: A sequence of development from diffusion over differentiation to re-entry

3.1 The paradigm shift from transactional to relational marketing in line with economic and sociological theories

A change of market exchange is shown by a) itemization of accomplishments of 19th century Western product markets in accordance with classic economic and sociological conceptualizations: standardization and rationalization of manufacturing, no accumulation of knowledge and experience in the market, faceless exchange and social coldness, contract as basic mechanism to ensure social order, price as primary structure of economic observation and communication, autonomy of the parties involved, quid pro quo exchange, unstable and short-term relation, beyond the discrete exchange the exchange partners have no further interest at each other, divergence of interests between seller and buyer (to maximize profit versus benefit), intention on both sides to maximize their individual advantage, mistrust and opportunism, intangibles such as knowledge and ideas are difficult to trade, and extremely harmful externalities of market and enterprise (child labour, no investments in education and housing, diseases etc.), b) outline of changes by stating additional accomplishments of contemporary Western product markets: individualization of consumer benefit, incentive and added value, database marketing, direct marketing, dialog marketing, and one-to-one marketing, local self-regulation, retention marketing, network marketing, and corporate social responsibility, and c) illustration of how and in how far relationship marketing modifies the features of markets listed under a), for example, dialog marketing reduces social coldness on markets and loyalty bonus reduces the buyer's real autonomy as to product choice.

To comprehend the paradigm shift from transactional to relational marketing, reference to the economic value of emotion, reputation, and trust (assumptions on the impact of well-being on economic choice, avoidance of opportunism by informational flows, and action on the basis of lack of information by acquaintance).

Application of neo-classic approaches, such as utilization theory, neo-institutional approaches, such as economics of information, transaction cost theory, and principal/agency theory, and neo-behavioral approaches, such as dissonance theory and exchange theory (basic statements of each approach; application to transactional marketing and relational marketing).

Application of several streams of sociological theory, such as sociology of knowledge society (database marketing due to increasing dependence of formal organization on information and knowledge); theory of world society (success of relational practices due to complexity, intransparency, and overload of information on offerings); subjectivists' approach (direct marketing and dialog marketing due to narrowness and subjectivity of perception and evaluation); rational choice theory (stabilization of exchange relations due to cost reduction as for recurrent collection and evaluation of data on alternative products and exchange partners; homo oeconomicus versus irrationalities of exchange decisions; problem of collective action in network marketing); neo-institutionalism (value chain integration due to pressure for adjustment and assimilation); and process of civilization by Norbert Elias (relational marketing due to increasing interdependencies and informational flows among human beings) (basic statements of each approach; implications of the paradigm shift from transactional to relational marketing for the respective approach).

Application of three streams of economic sociology which are markets as social constructs, social embeddedness of markets, and markets as politics (basic statements of each approach; implications of the paradigm shift from transactional to relational marketing for the respective approach).

3.2 The paradigm shift from transactional to relational marketing and systems theory: Deduction and adjustments

3.2.1 Implications of the paradigm shift from transactional to relational marketing for component parts of systems theory: Semantics, symbolic generalized communication medium, technique, structural coupling, redundancy/variety, reference to oneself/others, types of social systems, societal macro structure, binary code, and technology

Semantics

(prevailing and general meaning of the term within systems theory; by short repetition of the new phenomena of direct mktg, dialog mktg, one-to-one mktg, key account management, retention mktg, interaction mktg, and network mktg at length described in section 2, to argue that a) relationship marketing means economic (factual) exchange with additional consideration of the dimensions social, temporal, and spatial, and b) in contrast to the two types of exchange coordination market (contract) and formal organization (hierarchy), network requires particular consideration of the dimensions social, temporal, and spatial).

Symbolic generalized communication medium

(prevailing and general meaning of the term; function for social systems which is to raise the probability of a communication offered to be accepted; possibly specific functions of money; by short repetition of the new phenomena of market saturation and information overload pinpointed in section 2, to argue that a) the symbolic generalized communication medium developed at a certain complexity and specification of the social system, but, as apparent at the paradigm shift from transactional to relational marketing, at a certain second point of complexity and maturity its strength to simply relate, dis- and re-relate turns into a weakness which is to personally address a concrete exchange partner and to stabilize a single exchange relation, and b) as apparent at relationship marketing, personalization, historization, and interaction (social, temporal, and spatial dimension of communication) raise the probability of a communication offered to be accepted, and c) suggestion to reconceive personalization, historization, and interaction as universal communication media in support and as completion of the symbolic generalized communication medium (factual dimension)).

Technique

(prevailing and general meaning of the term; function for social systems; forms, like formal organization and symbolic generalized communication medium; by short repetition of the new phenomena of direct mktg, dialog mktg, one-to-one mktg, retention mktg, and interaction mktg to argue that relationship marketing means a further technization of the dimensions social, temporal, and spatial for functional (factual) purposes; suggestion for a definition of brands in systems theoretical terms).

Structural coupling

(prevailing and general meaning of the term; by short repetition of the new phenomena of retention mktg and network mktg to argue that a) the paradigm shift from transactional to relational marketing means a shift towards firmer coupling on the level of market, and b) network as third and evolutionary late form of exchange coordination implies balancing out loose coupling (market) and rigid coupling (formal organization)).

Redundancy, variety

(prevailing and general meaning of the terms; compare the argumentation on structural coupling; possibly suggestion that the expression of loose/tight coupling refers to the spatial dimension and the expression of variety/redundancy to the factual dimension).

Reference to oneself, reference to others

(prevailing and general meaning of the terms; by short repetition of the new phenomena of customer orientation, employee orientation, corporate social responsibility, and network mktg discussed in section 2, to argue that the paradigm shift from transactional to relational marketing means a shift towards more reference to the other side).

Types of social systems

(prevailing and general meaning of the term; respectively system specific features of interaction, organization, and society; suggestion for network as discrete type of a social system (mode of drawing boundaries, function for society); suggestion for network as re-entry of the distinction interaction/organization/society; by short repetition of the new phenomena of event mktg, interaction mktg, and network mktg to argue that relationship marketing demonstrates redependence of functional (economic) communication success on interaction and network; illustration of efficiencies of interaction and network).

Societal macro structure

(prevailing and general meaning of the term; forms, such as segmentary, stratified, and functional differentiation; suggestions which are a) analytical distinction between modern society and world society, b) global interrelation that constitutes world society as counterpart to functional differentiation that constitutes modern society, c) functional differentiation and global interrelation as dual parallel macro structure of contemporary society, d) re-entry as third and cross structure, e) multi-reference (Wiesenthal 1990) as re-entry of functional differentiation on the meso level of formal organization and network, and f) to call a society that builds up structures of re-entry, post modern and post global; by short repetition of the ubiquity of relationship marketing stated in section 2, to argue that the paradigm shift from transactional to relational marketing indicates a shift to a post modern and post global society).

Binary code

(prevailing and general meaning of the term; function for social systems which is orientation at and reduction to a central binary distinction; level of the code versus level of the programs;

by short repetition of the new phenomenon of value-oriented mktg and contents under the heading “Profit”, to argue that a) relationship marketing is driven by the binary code profitable/not profitable of the function system economy, and b) the new strategies and measures of customer management mean a variation on the level of the programs but not on the level of the code).

Technology

(distinction between the terms of technique and technology (in contrast to the former term, the term technology is used as normal); by short repetition of the new phenomena of database mktg, geo mktg, and e-mktg described in detail in section 2, to argue that the paradigm shift from transactional to relational marketing means a shift of economic relevance from technology for manufacturing to technology for information and communication).

3.2.2 Implications of the paradigm shift from transactional to relational marketing for systems theory as theory of differentiation, theory of communication media, general theory of social systems, and theory of functionalism

Systems theory as theory of differentiation

(possibly the approach`s history of development; basic statements of the approach; argumentation that the paradigm shift from transactional to relational marketing means re-entry of the dimensions social, temporal, and spatial into economic (functional, factual) communication; complementarities among the sides of a distinction as explanation; suggestion for re-entry as system maturity which is to term an ability to differentiate *and* reintegrate the differentiation into the differentiated; specific conclusions for the three levels micro, meso, and macro; exemplification at relationship marketing compared with transactional marketing).

Systems theory as theory of communication media

(possibly the approach`s history of development; basic statements of the approach; argumentation that relational marketing that takes all sides of a distinction into account, means communication of greater legitimacy and thus greater probability of success; suggestion for systematic personalization of information content and disclosure, development of system history, and realization of interaction as communication media which universally raise the probability of communication offered to be accepted; specific conclusions for the three levels micro, meso, and macro; exemplification at relationship marketing compared with transactional marketing).

Systems theory as general theory of social systems

(possibly the approach`s history of development; basic statements of the approach; argumentation that the paradigm shift from transactional to relational marketing means balancing out and leveling off; limited capacity of systems to handle complexity and transition from constitution and expansion to consolidation as explanations; suggestion of a definition of dynamics in systems theoretical terms; specific conclusions for the three levels micro, meso, and macro; exemplification at relationship marketing compared with transactional marketing).

Systems theory as theory of functionalism

(possibly the approach`s history of development; basic statements of the approach; suggestion for a concept of productivity as counterpart to the classic concept of systems theory of reproduction of social systems in terms of closeness, self-reference, and autopoiesis; to raise

productivity driven by the binary code (here profitable/not profitable); argumentation that relational marketing means higher productivity in working at the societal problem of scarcity and solvency; specific conclusions for the three levels micro, meso, and macro; exemplification of how the different constructs of relationship marketing enhance performance).

3.3 A sequence of development from diffusion over differentiation to re-entry

From diffusion to differentiation

(by means of systems theory to show differentiation, mode of operation, and features of meaning; to deduce from the mode of operation of meaning to the formation of the dual societal macro structure which consists of functional differentiation and global interrelation; to illustrate differentiation, features, and function of the symbolic generalized communication medium; to reason a coherence between the differentiation of the communication medium and the rise in complexity and specification of societal macro structure; to characterize segmentation and stratification as non-functionally differentiated social macro orders; to demonstrate the multi-functionality of middle-size social units of former times at a guild, to mark off the formal organization which is a functionally specialized midsize social unit, and to explicate the concept of multi-reference suggested above; to highlight particulars of interrelations between types of social systems, such as organization/society, network/society, organization/network, interaction/organization, interaction/network, and interaction/society; to elucidate the following distinctions in systems theoretical terms: personal/impersonal, past/future, individual motives/symbolization, circumstances/generalization, client/producer, and subordinate/chief; to pinpoint these distinctions as constitutive, particularly for the symbolic generalized communication medium and formal organization).

From differentiation to re-entry

(to show at the paradigm shift from transactional to relational marketing a shift from differentiation towards re-entry at the twelve distinctions factual/social/temporal/spatial, personal/impersonal, conversational/disseminating, same/different, interaction/organization, client/producer, labor/capital, unique/standardized, subordinate/chief, contextual/generalized, organization/network, and functional differentiation).

A sequence of development

(to summarize and reduce the argumentation of the last paragraph to pure conceptual lines of diffusion-differentiation-reentry at the five levels semantics, communication medium, types of social systems, societal macro structure, and technology).

(insert table 1)

Parallelism and recursive constitution

(to show and reason interdependency of the multiple new phenomena of marketing on product markets which are personalization and historization of communication, direct communication and customer dialog, instrumentalization of interaction, customer orientation, employee orientation, individualization of benefit, decentralization of formal organization, legitimization of local self-regulation (as on the level of formal organization as on the level of market), and formation of intra- and inter-functional inter-organizational networks;

comparably, to argue that attainment of the phases of differentiation and re-entry at one of the aforesaid five levels and twelve distinctions depends on attainment of the respective phase at about all of the other levels and distinctions).

Continuation of differentiation

(with reference to theories of market, organization theory, network theory, and systems theory as well as the last paragraph of section 2.6, to show and reason at the twelve above-named distinctions that re-entry is based upon and maintains the evolutionary achievements of differentiation and evaluation secondary/primary).

(insert table 2)

Final note that for absolutely precise modeling not just since emergence of relationship marketing but emergence of marketing (transactional marketing) and market research as such indicate a shift towards re-entry; with reference to sections 2.1 and 2.5, suggestion for a definition of market research which is to provide voice to market for re-entry of the distinction public/organization.

3.4 Functional differentiation and global interrelation: Attainment and withdrawal of universalism

Universalism

(general and interdisciplinary definitions; suggestion for a definition of universalism in systems theoretical terms which is independence of communication interrelation, separation, and re-interrelation from social, temporal, spatial, individual, contextual, and all other conditions).

Re-entry: Withdrawing universalism

(to argue that the formation of the contemporary dual societal macro structure which consists of functional differentiation and global interrelation, relied on universalism by differentiation of binary code, communication medium, formal organization, and to a certain extent network along with differentiation of the distinctions factual/social/temporal/spatial, personal/impersonal, conversation/dissemination, past/future, individual motives/symbolization, context/generalization, labor/capital, client/producer, subordinate/chief, interaction/organization/network/society, and functional differentiation; further, to argue and illustrate at the paradigm shift from transactional to relational marketing that the phase of differentiation as a phase of formation and expansion (transactional marketing) is followed by a phase of consolidation and retention (relational marketing) due to re-entry; to conclude that relationship marketing withdraws universal achievements because functional communication success depends on social, temporal, spatial, individual, and contextual conditions again; referring to the above paragraph on continuation of differentiation, to relativize this statement of withdrawal of universalism).

(insert table 3)

From constant over loose to conjoint

(to show of how the peculiar regulars in the three phases diffusion, differentiation, and re-entry increase and decrease universalism of functional communication; to conceptualize the development of social relations from definite dependence over factual-legal independence to actual re-dependence).

4 Contribution to systems theory: Towards a general approach on the development of systems

4.1 A mode of development from diffusion over differentiation to re-entry

Evolution in functionalism

(general comprehension of evolution in some disciplines; strengths and weaknesses of a functional approach to evolution; basic statements of the two functional approaches on evolution which are change as sequence from variation over selection to retention, and development of societal structure as sequence from segmentation over stratification to functional differentiation; to link these two approaches with my approach of DDR as add-on).

Assumptions of the approach of DDR

(except for the two above approaches on evolution, main focus of systems theory on the operation mode of social systems, such as closeness, self-reference, and autopoiesis; suggestion for the sequence of DDR as developmental mode and outline of its ideas: diffusion means the original state of interrelation without differentiation, differentiation the time of de-relation and creation of the distinctions itemized in section 3.3, and re-entry a state of re-relation by maintaining the evolutionary achievement of differentiation; re-entry is not re-diffusion but re-relation *based on* differentiation; to explicate the term of differentiation, differentiation means divergence into two sides by valuing higher the one side that allows for universality and productivity; at the time of differentiation and expansion, attention was solely drawn to the positive primary side of the distinctions; re-entry means to reconsider and utilize the neglected second side for an integrated approach to the societal problem; further enhancement of performance by re-entry is due to complementarities of the sides of a distinction; productivity which always and exclusively refers to the basic societal problem (here scarcity and solvency), is suggested as capital concept explaining the two evolutionary shifts from diffusion to differentiation, and from differentiation to re-entry; the development from diffusion to functional differentiation and global interrelation and afterwards towards reintegration on both levels implies an overall fourfold rise in system productivity; although networks may exist ever since time immemorial, the boom in the 1970-80s of deliberately constructed and appreciated intra- and inter-functional intra- and inter-organizational local and global exchange relations qualifies network as genuine structure of re-entry; the approach of DDR presupposes diffusion to push inherently for differentiation and when established and enforced differentiation to push inherently for re-entry; the approach of DDR states a sequence (diffusion is followed by differentiation which is followed by re-entry) but cannot fix exact dates of such historical epochs; approximately, the transition towards differentiation was from 15th until 19th century and re-entry is implemented radically in the Western hemisphere since the end of the 20th century; the transition from diffusion to differentiation needed a longer period of time than the transition from differentiation to re-entry; on the macro level of societal structure, diffusion cannot change directly to re-entry (on the meso and micro level possibly by imitation); a certain diffusion is still existent in the phases of differentiation and re-entry; whereas differentiation is irreversible according to N. Luhmann,

on the meso and micro level (slight) regression of re-entry seems possible and may be expected; regression of re-entry implies devaluation of the second side).

The sequence of DDR as epistemological sentence

(comprehension of theory, model, logic, induction versus deduction, and particularity versus universality; types of sentences, such as empiric, normative, and epistemic; to classify the approach of DDR as a model and epistemological sentence; to mark off sociological statements from statements of the science of history).

4.2 The sequence of DDR in different kinds of social systems

(in the function system of politics, equal relations among human beings as phase of diffusion, dictatorship as phase of differentiation (differentiation power/no power), and democracy as evolutionary late third phase of re-entry which provides power to citizens by election; in the function system of science, mixed-up approaches as phase of diffusion (e.g. economists were also sociologists), scientific disciplines of the 19th century as phase of differentiation, and interdisciplinarity at the end of the 20th century as phase of re-entry; in the function system of health, treatment by oneself and treatment according to custom as phase of diffusion, orthodox medicine as phase of differentiation (differentiation customary/proved medication), and self-medication and integration of orthodox and unorthodox medical practices (e.g. acupuncture) at the end of the 20th century as phase of re-entry; in the function system of religion, after secession and conflicts up to mid-20th century the declaration of the Catholic Church to recognize other churches as re-entry; the developmental line of DDR has not been elaborated for all function systems yet, but will certainly be traceable within more than the above function systems; apart from the level of (intra)functional differentiation, the sequence of DDR is apparent at other than economic exchanges as well on the level of the distinction client/producer: students, citizens, and patients are today called customers and universities, authorities, and doctor`s offices claim to implement customer orientation (e.g. patient relationship management); artificial communication and networking today practised ubiquitously as re-entry in other than economic contexts on the levels of the distinctions personal/impersonal and interaction/organization/society; the process of globalization of economic organizations from ethnocentrism over detachment from the parent company and independence of the subsidiary by at first low communication and cooperation among multinational subsidiaries to global integration of the firm`s branches as sequence of DDR; comparably, international political organizations that lead an increasingly independent existence, show a shift towards differentiation; on the level of macro structure of the nation state, successful implementation of differentiation *and* re-entry might explain advancement and present high performance of Asian transition countries in contrast to poor African countries which not even realized differentiation; high performance of formal organization as a distinct type of structure, seems comparably be attributable to realization of differentiation *and* re-entry by the distinction specialist/management: the former accomplish differentiation, the latter accomplish re-entry; on the levels of nation state and formal organization, in addition to structure re-entry may be achieved by culture; on the level of knowledge, the development from knowledge necessarily related and analogous to the visual nature over scientific knowledge determining semantics in society to knowledge generated by the respective function systems itself at the end of the 20th century (science as observer of 2nd order) as sequence of DDR; the development of human behavior and form of life from arbitrariness over conventions, mores, and virtues of the bourgeoisie of early modern times to individualization of one`s way of life and life course in the last quarter of the 20th century as sequence of DDR; apart from social systems, the mode of development from diffusion over differentiation to re-entry is assumed also for psychic systems; possibly more realms).

5 Resume

Summary, consisting of the dissertation`s research question, approach, and findings which is overall a shift towards an integrated approach on about all levels of communication and social structure on Western product markets at the end of the 20th century.

6 Afterword

Systems theory is a universal theory. Therefore, the research at hand of the paradigm shift from transactional to relational marketing that denotes re-entry, might contribute to both marketing science and sociology reflecting contemporary changes in manner and patterns of communication. As to the object of research as to the theory, this dissertation is drawn upon basics. An empirical and a critical investigation of the different constructs of relational marketing, such as direct and retention marketing, are not reasonable for the purpose of this work, because their mere emergence and existence show and prove a developmental line from diffusion over differentiation to re-entry. Moreover, the approach of a sequence of DDR is consistent and closed, but contoured and not particularized. The fundamental statements are: In the beginning, there was diffusion. Differentiation is an evolutionary achievement implemented to increase productivity of social systems. However, at some degree of differentiation productivity relies more on reintegration than progressive sub-differentiation. Lastly, one major question should be noted that this conceptual paper cannot answer and remains for empirical prospective research. This thesis points to crucial relevance of personalization, historization, and interaction for communication success on contemporary Western product markets, but falls short on their relative strength against price and benefit of the core product.

Level / Phase	Diffusion	Differentiation	Re-entry
Semantics	Diffusion of spatial, factual, social, and temporal by dominance of spatial: natural, spatially supported perception; no distinction betw. personal and impersonal: personal, multi topic communication among exchange partners; no difference betw. past and future state: obtainment in the future is like in the past.	Differentiation factual/social/temporal by primacy on factual (binary code, here profitable/non profitable) and neglect of social and temporal; no differentiation of spatial as discrete dimension of meaning: cognition independent from space; change from normative to factual reasoning; differentiation personal/impersonal by primacy on impersonal: nonpersonal, anonymous communication on markets; differentiation past/future by primacy on future: cognition towards expansion and customer acquisition.	Re-entry of social and temporal by continuing primacy on factual (here profit); discrete economic (factual) value attached to space: exchange communication under persons present (here interaction marketing); equal consideration and balancing out of all dimensions of communication; re-entry of personal: to communicate impersonally in a personalized way (here dialog marketing); re-entry of past: consolidation and to raise customer loyalty (here retention marketing by bonus points and other measures).
Communication Medium	Oral communication; exchange depends on individual haves and needs of the exchange partner: exchange product for product; exchange depends on context; exchange depends on negotiation and thereby personality, rhetoric skills, and continuous communication.	Development of letters; differentiation of symbolic generalized communication medium (here money) that consists of two differentiations individual/symbolic and contextual/general by primacy on symbolic and general means of communication: exchange product for money; exchange independent from individual motives and circumstances; implementation of price; exchange independent from negotiation: faceless one-off exchange; implementation of contract; implementation of global rights and regulations; standardization of making and offer: mass production.	Re-entry of individual purposes, contextual adjustments, and negotiation by continuing primacy on the symbolic generalized communication medium (here money and price); individualization of consumer benefit, local self-regulation, personalization of information content and disclosure as well as systematic development of social system history as universal communication media which increase the probability of a communication offered to be accepted.
Types of Social systems	Interaction, society, and maybe interpersonal network as the origin of social system; communication depends on interaction; what one produces, is consumed by oneself; what one creates, is owned by oneself; equal relations among human beings.	Differentiation of formal organization that consists of four differentiations interaction/organization/network/society, client/producer, subordinate/chief, and labor/capital by primacy on organization, producer, chief, and capital: internalization of business units, production orientation, central hierarchical control, and exploitation of labor; market observation and communication independent from interaction (due to money, price, technology, and organization); loose, unconnected market exchange.	Re-entry of interaction and interpersonal network (here interaction marketing and referral management); re-entry of other organizations, client, subordinate, and labor by continuing primacy on formal organization, producer, chief, and capital: externalization of business units (here network marketing), customer orientation, decentralization, and employee orientation (here corporate social responsibility).
Societal Structure	Contextuality and locality of communication; functional diffusion and hierarchy among societal functions expressed at the macro structural level by segmentation and later social stratification of society and at the meso structural level by multiple diffuse functions of midsize social units (here guild).	Parallel process of functional differentiation (formation of modern society) and global interrelation (formation of world society) driven by the factual dimension by non-separation of factual and spatial and carried by symbolic generalized communication medium, formal organization, and network; progressive functional sub-differentiation; formal organization in the most and relevant cases as mono-functional by necessarily concurrent multi-reference; low multi-reference of formal organization.	Re-entry of subdivided societal functions (post modern society) by sustainment of functional differentiation; intra- and inter-functional re-entry as a third and cross macro structure achieved by sub- and multi-reference of formal organization and network at the meso structural level; discrete economic value attached to and extension of structures of sub- and multi-reference (here value chain integration and relationship marketing towards academic organizations and so forth); beyond nation-state and distance new stabilized boundaries for reestablishing communication space of medium size (post global society) attained by network.
Technology	Direct one-to-one communication and conversation; functional hierarchy of utilization of new technological innovations, e.g. post and automobile are at first reserved for military goals of the political function system.	Development of machinery for production; development of media for dissemination of news and data, such as printing machine, telegraph, telephone, television, and computer; simultaneous mass communication (here advertisement via radio, television etc.); release of technology for universal usage; dominance of production technology over technology for information and communication.	Direct and targeted communication (here direct marketing); discrete economic value attached to technologies for information and communication (here database marketing, IT marketing, e-marketing).

Transactional Marketing

Straight profit orientation

Differentiation factual/social/temporal/spatial
by primacy on factual which is profit in the function system of economy
and in-between neglect of social, temporal, and spatial

Anonymous transaction

Differentiation personal/impersonal
by primacy on impersonal for market exchange
and in-between neglect of personal

Unidirectional mass communication

Differentiation conversational/disseminating
by primacy on disseminating
and in-between neglect of conversational

One-off transaction

Differentiation same/different
by primacy on different in terms of more and new
and in-between neglect of same

Economization of interaction

Differentiation interaction/organization
by primacy on formal organization in the function system of economy
and in-between neglect of interaction

Production orientation

Differentiation client/producer
by primacy on producer in the economic just as all other function systems
and in-between neglect of client

Exploitation of labor

Differentiation labor/capital
by primacy on capital
and in-between neglect of labor

Mass production

Differentiation unique/standardized
by primacy on standardized for production procedures and techniques
and in-between neglect of unique

Central control of formal organization

Differentiation subordinate/chief
by primacy on chief in the economic just as all other function systems
and in-between neglect of subordinate

Adoption of the rules

Differentiation contextual/generalized
by primacy on generalized
and in-between neglect of contextual

Internalization of business units

Differentiation organization/network
by primacy on formal organization
and in-between neglect of network

Low sub- and multi-reference

Functional differentiation
by primacy on the system's own specific function
and in-between neglect of other functions

Relationship Marketing

Investments in building a relationship with the customer

Reintegration of the second sides "social", "temporal", and "spatial" on the continuing primary side "factual":
A twofold rise in sales potential is achieved by reduction to the distinction 'able/not able to pay at a certain price' (factual) and thereupon instrumental reconsideration of the exchange partner's characteristics, previous exchanges, and interaction (social, temporal, and spatial).

Personalized communication to consumers

Reintegration of the second side "personal" on the continuing primary side "impersonal":
Communication on markets remains nonpersonal and indifferent. To raise consumer awareness and response, information content and communication channel are personalized artificially by new technologies of data collection and mining (database marketing).

Direct communication and customer dialog

Reintegration of the second side "conversational" on the continuing primary side "disseminating":
ICT inventions, as printing machine, ousted conversation for homogenous, simultaneous, and cost effective mass market communication. Instancing direct mail and hotline, direct addressing and reply of consumers exist again by maintaining mass communication on markets.

Customer retention

Reintegration of the second side "same" on the continuing primary side "different":
A firm aims still at expanding its customer base and customers keep their exit-option. As customer acquisition, customer retention is for increasing sales by repurchase, cross selling, up selling, and positive word-of-mouth due to advantage, dependency, and/or commitment.

Interaction with the customer as most valuable sales communication

Reintegration of the second side "interaction" on the continuing primary side "organization":
Along with value-oriented customer management, in the last decades customer ranking and corresponding key account and personal liaison management were being implemented to provide special care for the firm's most valuable customers.

Customer orientation

Reintegration of the second side "client" on the continuing primary side "producer":
Apart from rationalization of production, firms are now also concerned with developing products, business structures and processes (e.g. complaint management) that meet customer expectations.

Employee orientation

Reintegration of the second side "labor" on the continuing primary side "capital":
Whereas entrepreneurs of 19th century industrialization did not attend to working and living conditions, education, health, and family life, the contemporary concept of corporate social responsibility reconciles for corporate purposes personnel, public, and other concerns.

Individualization of consumer benefit

Reintegration of the second side "unique" on the continuing primary side "standardized":
Although services and high-value goods are adjusted on demand to the respective customer's lifestyle, whenever possible a firm will be endeavor to realize economies of scale and scope.

Decentralization of formal organization

Reintegration of the second side "subordinate" on the continuing primary side "chief":
To allow for flexible and faster market adjustments, to release local intelligence and innovation, the concept of empowerment followed Taylor's managerial model of central vertical command by maintaining hierarchy as basic structure of formal organization.

Legitimization of local self-regulation (as on the level of formal organization as on the level of market)

Reintegration of the second side "contextual" on the continuing primary side "generalized":
Independence from context by generalization of means and procedure enabled global market exchange. Were compliance and conformity approved up to the last generation, semantics and practices have changed to sovereign handling of rules by maintaining its principals.

Externalization of business units

Reintegration of the outer side "society (consisting of other organizations)" on the continuing primary side "organization":
Before about 1970, firms were concerned to set up and control business departments. Internalization was followed by outsourcing, cooperation, and resource pooling among firms for enhanced performance due to joint investment, large-scale action, and synergy effect.

Value chain integration and close relations to non-economic organizations

Reintegration of the outer side on the continuing primary (sub)function system's inner side on the levels of organization and network:
Whereas a function system is based upon differentiation and tends toward progressive sub-differentiation, in the economic function system since some decades firms show a distinct intra- and inter-functionally integrated network approach to markets.

Universalism

In terms of

Specification and autonomy
With reference to
Work at the basic societal problem

Independence of functional communication
With reference to
Ability to dis- and reconnect

In terms of

Independence of connectivity
From social and temporal conditions

Independence of connectivity
From space and interaction

Independence of connectivity
From context and individual motives

By

- Indifference on the level of semantics (Impersonal communication, contingency)
- Symbolic generalized Communication medium
- Formal organization
- Partly technologies of dissemination

By

- Symbolic generalized Communication medium
- Interorganizational network
- Technologies of dissemination

By

- Symbolic generalized Communication medium
- Formal organization