Research Proposal

THE GENESIS AND EVOLUTION OF MODERN WORLD SOCIETY:
Systems Theory Analysis Of The Paradigm Shift From Transactional To Relational Marketing

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November 2003 (reviewed May 2005)

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The Genesis and Evolution of Modern World Society:
Systems Theory Analysis of The Paradigm Shift From Transactional To Relational Marketing

Abstract: It is one of the basic assumptions of sociological systems theory advocated by Niklas Luhmann that the realization of world society is driven by the universality of modern function systems. Societal subsystems which have a specific function for society such as economy and science, education and health will create worldwide communication interrelations to include all communication of the same specific function into one global function system. However, whereas the formation and spatial expansion of function systems is driven by universality there are parallel processes to observe that the more mature and complex global function systems become, universal achievements are withdrawn. The paradigm shift from transactional to relational marketing might demonstrate such a post-modern and post-global process: re-integration.

Keywords: Relationship Marketing, Systems Theory, Modern Society, World Society, Evolution
The Genesis of Modern World Society

In this paper, it is intended to contribute to sociological systems theory by developing a conceptual explanation for the genesis of modern world society and by discussing the communication patterns within global function systems. Following this conceptualisation, the modern world society, which can be described as a functionally differentiated and globally interrelated society, has a dual structure. To define the modern society by the structure of functional differentiation and the world society by the structure of global interrelation means an analytical distinction. Empirical-historically, the modern society and the world society cannot be distinguished (co-existence). On the assumption that functionally differentiated communication will relate to communication of the same specific function all over the world, the specialization and globalization of communication would have been parallel processes or two dimensions of the same process.

To illustrate, the basic element that constitutes social systems is communication. Within each of the function systems as subsystems of modern society, communication adopts a different shape. For example, in the economic system communication is shaped to buys and in science to publications. However, on the condition that the organisational-technical infrastructure is well established and operative autonomy ensured, communication of the same specific function for society will be linked across the different world regions. To give an example from the field of marketing science, marketing publications will refer to other marketing publications regardless of the location where the publication has been produced.

Although the research is still in process, it is the first and main purpose of this paper to introduce the term “räumliche Ausweitung” (spatial extension) as a new term within sociological
systems theory. The introduction of “räumliche Ausweitung” as the terminological counterpart to “funktionale Ausdifferenzierung” (functional differentiation) might seem reasonable, because it would enable systems theory to describe the formation process and the second structure of modern world society. Comparable to the term “funktionale Ausdifferenzierung”, which describes the structural change from several archaic to stratified societies to one modern society, the term “räumliche Ausweitung” describes the structural change from several local societies to one global society. The term “funktionale Ausdifferenzierung” means a removal of communication from functionally diffused contexts, the term “räumliche Ausweitung” a removal from local contexts.

The aforementioned was intended to describe and explain global interrelations within the terminology of sociological systems theory. In the following, the argumentation approaches the actual object of research. In this section, it will be argued that global interrelations are driven by the universal code of functionally specified communication. Consequently, it might be stated that the implementation of functional differentiation as the primary structure of modern society implies some determinism in the realization of world society (global interrelation). Nevertheless, it should be emphasized that within the different regions of world society the structure of functional differentiation has been implemented to varying degrees (motivation and social ability to relate to other distant communication) and the organisational-technical infrastructure is to varying degrees well established (external condition of the ability to integrate into the global communication network). Back to the structure of this paper, after explaining the inherent universality and globalization of binary coded communication, in the next section it will be asked whether universal achievements are withdrawn at a certain maturity and complexity of social systems. The paradigm shift from transactional to relational marketing will be analysed as a demonstration of such a post-modern and post-global process within modern world society.
Three main reasons might explain the universality and globalization of functionally specified communication. First, functional communication (e.g. scientific publications) cannot coherently interpret distances, cannot accept national boundaries and will create worldwide interrelations to include all communication of the same specific function into one global function system. Consequently, the spatial expansion of function systems seems to be based on the non-separation of the spatial dimension and the factual dimension. In one of his last lectures about systems theory, Luhmann considers whether the spatial dimension might be a dimension of meaning, comparable to time, factual, and social. But he argues that the spatial dimension cannot be regarded as an independent dimension for several reasons, essentially, because it cannot be separated from the factual differentiation. Thus, it may be concluded that the societal structure of functional differentiation (differentiation in the factual dimension) is inherently or inevitably a global society structure.

In his lecture on meaning, Luhmann explains that in the history of mankind, at first communication was simple (not distinguishing between time, factual, and social), but at some point in history the three dimensions of meaning time, factual, and social had been differentiated against each other. It is at this point in history: the differentiation of time, factual, and social as independent dimensions of meaning and their respective removal from the spatial dimension which I would determine as the genesis of modern society and world society. But hundreds to thousands of years had to pass until functional differentiation (differentiation of communication in the factual dimension) and global interrelation (spatial expansion of communication driven by their orientation in the factual dimension) became the dominant dual structure of modern world society.
To further explain the universality and globalization of functionally specified communication, the second reason to mention refers to the ability and validity of communication to globally expand and be reproducible anywhere. The social ability to relate to communication within other locations of world society is mainly based on the specific form and function. It is highly improbable or even impossible that two functionally diffused communication would match and could respectively be reproduced. More fundamentally, the universality and globalization of functionally specified communication is attributable to the symbolization and generalization of communication. In one respect, the symbolically generalised medium such as money in the economic system and grades in the educational system is itself a universal achievement of modern society. On the macro-level, the symbolically generalised medium constitutes the autonomy and increases the efficiency of the function system. On the micro-level, the symbolically generalised medium raises the probability of a communication offer being accepted by the other party. In another respect, the ability to globally expand and the worldwide validity of functionally specified communication are based on the symbolically generalised medium. Communication within a specific medium is potentially universal and global, such as the truth of a scientific publication or an exchange for money as being acceptable.

Finally, the third explanation of the universality and globalization of functionally specified communication relates to their specific function for society. As the previous argument, this argument consists of two aspects of explanation. In one respect, functional communication will globally expand because the specific societal problems function systems are continually being worked on, such as the function “to reduce scarcity” (function system economy) or the function “to spread information” (function system mass media), are of global size and range. Moreover, for example, to examine ecological changes (societal function “to produce knowledge”, science) or to work against organised crime (societal function “to enforce justice”,
legal system) requires global action and co-operation with actors from other world regions. In the other respect, the global expansion of functional communication is based on the pure orientation of binary coded communication (e.g. the code profitable/not profitable in the economy, the code truth/not truth in science) and the immanent communication logic to increase the productivity of the function system. For example, to raise the profitability, a seller will serve foreign markets and to raise the knowledge, a scientist will read foreign articles.

In conclusion, two new terms might be added to systems theory: next to “funktionale Ausdifferenzierung” (functional differentiation) the term “räumliche Ausweitung“ (spatial expansion) and next to self-reproduction the term productivity. In the past, systems theory research has emphasized the reproduction of social systems developing several approaches such as the system as a closed unit, self-reference, and autopoiesis (communication is reproduced within the internal network of the system’s own communication, thus, the system is its own product). In my opinion, future research should emphasize further the productivity of social systems explaining the genesis of world society in particular. Whereas the term self-reproduction refers to the constitution of the structure of functional differentiation (e.g. in politics, the statement of a politician relates to statements of the opposing party or in science, scientific publications relate to other scientific publications), the term productivity refers to the constitution of the structure of global interrelation.

In this section, the realization of world society is shown to be based on universal achievements of modern society. In the section to follow, it will be discussed whether some universal achievements are withdrawn at a certain maturity and complexity of the dual societal structure which consists of functional differentiation and global interrelation. The paradigm shift from transactional to relational marketing serves as the object of research.
The Paradigm Shift From Transactional To Relational Marketing

Economic Argumentation

The first part of this section contains a short introduction to marketing and description of relationship marketing as a “new” paradigm in marketing science. The second and third part consist of empirical investigations and economic explanatory approaches to discuss and explain the paradigm shift from transactional to relational marketing. In the section to follow, the emergence of relationship marketing will be analysed by the application of sociological systems theory. The paper proceeds on the assumption that the emergence of relational marketing relates to both: the maturation of the structure of functional differentiation and the rising complexity of global interrelation.

In times of the seller’s market, which is economically defined by higher demand than supply, firms were selling predetermined products. The development from the seller’s market to the buyer’s market, which is described by higher supply than demand, induced firms to re-organise. Because sales were not ensured any more, the product offered was adjusted to the buyer’s needs and wants. The primary orientation of firms towards markets was first implemented in the USA, where the term “marketing” had been introduced. The marketing measures are integrated in the overall strategic management concept and co-ordinated with the other function units such as research & development, procurement, production, and financing.

The transactional approach in marketing is based on a combination of the four instruments of the marketing-mix which are product, price, promotion, and place (the 4Ps). In contemporary marketing, next to Transaction Marketing (TM) three other marketing constructs can be distinguished by the type of exchange and management (Coviello/ Brodie/ Munro 1997).
In Database Marketing (DM) a database is built to collect information and monitor customer patterns. Using technology-based tools, DM intends to “get closer”, target and retain customers. In Interaction Marketing (IM) close interpersonal relationships are developed with valuable individual customers. On the meso-level, Network Marketing (NM) aims to develop close inter-firm relationships for synergistic co-operation and co-ordination of activities.

In contrast to the former traditional approach, which is determined to realise discrete transactions, the three latter more modern approaches are determined to build relationships. In the economic literature, relationship marketing has been defined “to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of the partners involved are met” (Grönroos 1995). The features of relational marketing are co-operation, continuous communication, same-level interaction, team-based integrated activities, and mutually advantageous exchanges. In comparison with transactional marketing, relational marketing is more direct, more interactive, more complex, multi-level, and multi-directional.

Of course, a firm may practise relationship marketing within many markets such as the firm’s internal market (to arrange intra-organisational exchanges), employee market (to recruit highly qualified staff), referral market (to encourage external recommendations), and within the local economic-political community or wider social environment. But even more important are the markets of horizontal and vertical inter-organisational exchange. Horizontal relations in an inter-organisational co-operation network (e.g. strategic alliances) might be developed to share technology, knowledge, and foreign experience. Vertical inter-organisational networks are created to add value across the entire supply chain (value chain integration). The most important
and final market of the firm’s relational strategy is the customer market. In the customer market, the relational measures encompass value added services and direct communication (DM, IM).

It is the purpose of relationship marketing to develop long-term successful exchange relationships, not to disappoint customers and lose them to a competitor, but to attract customers, to satisfy their needs and induce them to stay loyal to the firm. To sum up: to keep customers. In marketing science, the strategy shift from discrete transactions and acquisition of new customers to long-term relationships and retention of valuable customers has been formulated as the paradigm shift from transactional to relational marketing. In short: from winning to retaining (Retention Marketing). Relational marketing had been introduced in B2B (business-to-business) due to the limited possibility of winning new customers and greater buyer/seller-interdependence. In addition to the type of market served (B2B or B2C, business-to-consumer), relationship marketing has been explained by the type of product offered (goods or service). Comparable to B2B, service firms are regarded as inherently relational in their approach to markets.

The conceptual argument of the paradigm shift from transactional to relational marketing postulates that in contemporary marketing relationship marketing is relevant to all types of firms irrespective of industry (business, consumer, service, and goods). In marketing science, some authors argue that today all firms compete on the basis of service, and other authors refer to the blurring boundaries between goods and service firms. In line with this argument, Christian Grönroos states that the shift in marketing strategy towards building relationships implies the definition that the business is a service business and recognition of the key competitive elements are concerned with offering a total service rather than simply a product (Grönroos 1996).
The postulation of the paradigm shift from transactional to relational marketing might be relativized, considering the empirical results of a recent study on the contemporary marketing practices of 308 firms in the US, Canada, Finland, Sweden, and New Zealand (standardized survey, Coviello et al. 2002). To conclude, transactional marketing is not substituted but rather supplemented by the relational approach. Firstly, a cluster of firms, which practise predominantly transactional marketing, could be identified. Secondly, the overall three clusters (Transactional, Relational, Transactional/Relational hybrid) are of about equal size. Moreover, the transactional cluster contains to an equal and substantial number all types of firms (consumer goods, consumer service, business goods, business service). Thus, the authors argue against a complete shift in marketing measures. Transactional and relational marketing are distinct, but not mutually exclusive. In business practice, the four marketing constructs (TM, DM, IM, NM) are combined to a pluralistic portfolio of marketing practices.

From this empirical investigation on contemporary marketing practices, four other results are of particular interest. First, the scientific distinction between business-to-business marketing, service marketing, business-to-consumer marketing, and goods marketing finds some empirical support. Consumer and goods firms are more transactional, business and service firms more relational in their approach to markets. Second, the concept of a marketing strategy continuum suggested by Grönroos (1990) has been confirmed for relational marketing, attributable to the type of market served rather than the type of product offered. Third, TM and IM are practised to an overall higher degree than DM and NM. Thus, the four traditional transactional instruments (product, price, promotion, and distribution) seem to be fundamental to any firm’s marketing. To develop customer relationships, interaction seems more important than technology-based tools (greater relevance of DM for consumer goods firms as an exception). The network economy seems less established than assumed in the literature.
Correlation analysis reveals, furthermore, that IM and NM are most likely to be practised together (IM as a micro-level of NM), and both in combination with DM (DM as an element in the relational approach). TM is likely to be practised together with DM (DM as an extension of TM), but not in combination with IM. The cross-correlation of TM and NM reveals no clear pattern. From the empirical investigation on contemporary marketing practices, the last results to mention show that firm’s size and age, relevance of knowledge and technology explain, to a certain degree, the firm’s marketing measures. Larger and older firms prefer transactional marketing, because in large markets relational activities might be more difficult and costly. Knowledge-based and technology-based firms such as the software firms examined, emphasize more interaction and network marketing. Nevertheless, overall the empirical data reveal that the marketing practices of the firm cannot be fully explained by a firm’s characteristics, in particular country, export level, and sales growth. (Brodie/ Coviello/ Brooks/ Little 1997, Coviello/ Brodie/ Danaher/ Johnston 2002)

In the four following paragraphs, theoretical assumptions, macro-environmental and intra-organisational conditions as well as observed changes and trends in the market are listed to show how economists fundamentally explain the emergence of relational marketing (sector as a reason, see the discussion above). First, economists explain the emergence of relational marketing by a change in the demand/supply structure. Transactional marketing has traditionally been the dominant type of marketing practice in markets with growing demand (esp. standardised goods), whereas relational marketing seems more important in mature and highly competitive markets. In a recent study on contemporary marketing practices in Russia, the empirical data reveal that in a transition economy, which is marked by high demand and low spending power, local businesses apply a predominantly transactional approach in the domestic market (Wagner 2005).
In economics, the second stream as an explanation of the emergence of relational marketing refers to the firm’s cultural environment. Individualism, power distance, and uncertainty avoidance are considered as cultural preconditions for relational marketing being able to emerge (Hofstede 1980). Further external conditions for relational marketing to develop might be consumer trust and mentality, institutions and infrastructure (relationships to obtain access to resources), political laws, economic situation (growing or recession) and national history (market antecedents). Third, the relationship marketing implementation has been explained by intra-organisational conditions such as the firm’s market strategy orientation (long-term, not short-term profit), organisational structure (autonomy of the function unit marketing), and organisational resources (greater marketing budget, highly qualified staff, and third marketing training).

Fourth, in economic literature the relational efforts of firms have been explained by changes and trends in the market such as increased competition, fight for share, price wars, more new products and increasingly knowledgeable, demanding, price-focused customers (Brodie et al. 1997). Under these market circumstances firms may practise NM to offer value added services and to reduce costs by vertical and horizontal inter-organisational integration (e.g. R&D, production). Firms may also emphasize DM and IM to distinguish the company through communication from the competition, to raise direct appeal, information, and to build emotional-normative ties with customers.

Sociological Argumentation

Above, it has been argued how economists explain the emergence of the relationship marketing paradigm. In the following, it will be asked whether sociologists can add an explanation for the relative shift in marketing towards building relationships. First, I thought, relational activities
might indicate a process of functional re-diffusion. In some market segments, price seems to be a less dominant economic structure. In the contemporary economy, exchanges depend even more on direct, close, continuous, and mutually active communication and collaboration. Thus, one could assume that relational marketing means a reversal of development back to past trade mechanisms on the basis of interaction and personal communication. But after some consideration I decided on a different explanation: re-integration.

Drawing a theory of evolution, there seems to be a line: diffusion, separation, re-integration. The emergence of relationship marketing can be regarded as an integration of differentiated units by maintaining the differentiation (not diffusion again). First, relationship marketing means a re-integration of the dimensions time and social in economic (factual) communication. Secondly, besides the mental level of social system operation, relationship marketing implies an integration of the function system’s subsystems on the macro-level of societal structure. Thus, relational marketing could sociologically be defined as three-dimensional communication and intra-functional cross-border relation.

Markets have traditionally been described as discrete (irrelevance of the time dimension) and anonymous (irrelevance of the social dimension) transactions. Relational marketing indicates the withdrawal of modern universal achievements: the independence of functional (factual) communication success from temporal and social conditions. Further, relational marketing indicates the development of more complex and demanding structures for economic exchange: network as a distinct type of social structure defined by three-dimensional communication (stable (time) personal (social) exchange (factual) patterns) and intra-functional cross-border relation (buyer/seller-dyad, value chain integration, horizontal integration).
Expressions in the relationship marketing literature such as “clients rely on us”,
customer-client interface, symmetric and dyadic customer/client-relation, and the imperative to
build individual one-to-one relationships (esp. B2B, but not consumer packaged goods/
consumer durables sector) and to realise long-term successful exchanges point to the re-
integration of the social and time dimension into the factual dimension. The identification of
relational marketing as three-dimensional communication might substantiate the argument
suggested that relationship marketing signifies a higher stage in the maturity of social systems
and the third, possible final phase in social system evolution: the ability to distinguish and to re-
integrate the distinction into the distinguished (Wiedereinführung der Unterscheidung in das
Unterschiedene, George Spencer Brown).

Comparable to the mental level (meaning), on the macro-level of societal structure seems
to be a similar evolutionary line: first, functional diffusion and hierarchy, then, functional
differentiation and autonomy, and finally, intra-functional cross-border relations. Intra-functional
(not inter-functional) cross-border relations (in this paper network marketing) are an inevitable
parallel structure to the internal progressive sub-subsystem differentiation of the function system
(in this paper economy). Again, the second structure of intra-functional interrelation is developed
by maintaining the fundamental structure of differentiation, no blurring or destroying of
boundaries, but only for exchanges between the function system’s subsystems as a natural
consequence of specialization and intra-functional interdependency.

Found in the economic relationship marketing literature, expressions to illustrate that the
relationship marketing paradigm implies the implementation of intra-functional cross-border
relations are, for example, “buyers involved in the design and development of the seller’s
product or service offerings” (Magrath/ Hardy 1994), customer-partnering, all parties mutually
active, reciprocal duties and synergistic effects, openness of knowledge and information sharing as well as the willingness to “listen more” and understand customer needs (Brodie et al. 1997).

After a review of several general sociological definitions and a tentative attempt to define “universalism” within the terminology of systems theory, in the last part of the section, the core thesis of this paper will finally be discussed. To exemplify the decline of some modern universal achievements at the changing nature of economic exchanges, the characteristics of market exchange and exchange based on relationships are compared. Lastly, the terms post-modern and post-global will be integrated into the terminology of systems theory, because relational exchanges might indicate a post-modern post-global phenomenon, but Luhmann never used such expressions.

From a distance, in the social sciences the term universalism seems to be used with about seven meanings (compare Dictionary Of Sociology 1994): 1.) the abstract and fundamental level above the varying concrete empirical forms of social existence, 2.) the constitution of social order, 3.) a priori of social existence to be found in any culture (e.g. care for children), or in contrast 4.) great innovations within social system evolution (e.g. money), 5.) the removal of attribution mechanisms from tradition and kinship (e.g. positive justice), 6.) generalised validity, and 7.) global range.

Luhmann might define universalism in two, implicitly three, aspects: 1.) differentiation/specialization/generalization (factual dimension), 2.) indifference (time and social dimension), and 3.) globalization (spatial dimension). The first two aspects are achievements of modern society and preconditions for world society by the formation of function systems (differentiation/specialization), global interrelations (generalization), and the high dynamic of globalization.
(indifference). Generalization means the probability of a communication offered to be accepted worldwide, indifference the probability that communication separate and simply re-relate to different communication within the global function system.

Concerning our research question, at least one aspect of universalism has to be analysed in more detail: indifference as an irrelevance of the time dimension (indifference what has been before and will be after the discrete transaction; no history of the buyer/seller-exchange system) and an irrelevance of the social dimension (indifference against the exchange partner as an individual). Considering the conceptual work in former sections, the core thesis that relationship marketing indicates the withdrawal of modern universal achievements, seems to be somewhat supported. In the analytical framework of systems theory, universalism has been identified as indifference (no time and social dimension). Furthermore, markets have traditionally been described as discrete (no time dimension) and anonymous (no social dimension) transactions, which around the 18th century meant a universal achievement and appreciation of modern society. Lastly, a definition of relationship marketing as three-dimensional communication (re-integration of the time and social dimension) has been introduced.

To show that relational exchanges mean a distinct type of social structure, the features of market exchange and exchange based on relationships are confronted below. In literature, markets have been described by 1.) the autonomy of the parties involved, 2.) contract as the basic mechanism to ensure social order, 3.) the intention on both sides to maximize their individual advantage, 4.) price as the primary structure of economic communication, 5.) beyond the discrete exchange the parties involved have no further interest in each other, 6.) faceless exchange and social coldness, 7.) mistrust and opportunism, 8.) quid pro quo exchange, unstable, and short-
term relation, 9.) intangible products such as ideas are difficult to trade, and 10.) no accumulation of knowledge and experience in the market.

Indicating a change in the nature of economic exchanges, relational exchanges 1.) reduce the autonomy of the buyer by incentive and loyalty programmes, bonus points, discounts, and free gifts (final customer market) as well as collective decision and interdependency (vertical and horizontal integration), 2.) raise the flexibility by more informal arrangements, 3.) collaboration, reciprocity, synergistic pooling and sharing of the resources of all parties involved, 4.) price is still the dominant economic structure, but supplemented by emotion, value, and the history of the buyer/seller-exchange relation, 5.) the contact between the buyer and seller exceeds the single purchase, 6.) personal or even individual communication in one-to-one marketing, 7.) trust and the fulfilment of promises are preconditions for successful exchange relationships, 8.) to stabilise the exchange relation as an advantage on both sides, 9.) intangible products are less difficult to trade, and 10.) the greater transfer and the accumulation of knowledge and experience are central pros of relationship marketing.

In the introductory sentence to this part of the section, it was mentioned that Luhmann refused to use the term post-modern, because, he argues, the structure of functional differentiation has to be regarded as the final societal structure „Es gibt keine Welt nach dem Geld, keine nach der Schule.“ (“No world can exist beyond money or school.”) (Luhmann 1996b, 1025). The structure of functional differentiation might be the last and most fundamental societal structure. Nevertheless, besides, within, and across increasingly more social structures seem to develop. To integrate the terms post-modern and post-global into the terminology of systems theory, one could suggest that modern society is analytically defined by the structure of
In social system evolution, the structure of functional differentiation developed, because social systems could not work efficiently at the societal problems under functional diffusion. The structure of re-integration could have developed to compensate problems that correspond with the fundamental structure of functional differentiation. More generally, in the evolution, at some point, social systems had the ability to differentiate, then, to differentiate the differentiation, and, possibly in the end, to differentiate the differentiated differentiation. Thus, even a post post-modern structure may evolve over time, but one can assume that the third level would be the final macro-structure to develop, as social systems stop to observe (the observed observation) on the third level as well.

It was the intention of this paper to analyse structural developments on the macro-level of modern world society as social reasons for the relative shift in marketing strategy towards building relationships. The co-evolution of organization and society: to examine interrelations between changes in the firm’s communication (the shift from transactional to relational marketing) and changes in their societal environment (full realization of functional differentiation and global interrelation). It has been discussed above, how relational marketing might be causally related to the structure of functional differentiation. Below, the discussion turns to the structure of global interrelation. The last parts of the paper will show the economic potential of building relationships on global markets.

Similar to the economic definition presented above, sociologists would define relational marketing as retention: retention of the relation between the elements of the social system (here
economy). On the assumption that relational marketing (emphasis on the time and social dimension) reduces universalism such as indifference (irrelevance of the time and social dimension), it can now be argued that relational measures decrease the probability - not possibility - of progressive communication interrelation, separation, and re-interrelation to different communication (dynamic within the social system). Thus, through close and continuous communication and collaboration, relational marketing seems to stabilise and potentially to localise communication patterns within the global economic system.

World society contains more options within each function system (e.g. which product to buy/ economy, which article to read/ science, which hospital to visit/ health system), any communication can be linked to any other communication, observation and comparison are of global range. Global interrelation causes rising complexity within the function system defined as an amount of elements in which not all elements can be linked with all other elements (Luhmann 1997, 134ff). The rising complexity causes rising dynamic within the function system, because the greater amount of elements means greater possibility to connect, disconnect, and re-connect to each different element. Thus, the realization of world society results in rising system competition, in this paper defined (Luhmann never defined system competition) as an amount greater than two of communication offered. The probability that a communication offer will be accepted decreases in general (disregarding strategy, technology, and relationships), because the more elements the greater the possibility that the single element can be substituted.

Not to be substituted, in world society and economy, more than ever, the essential problem of firms is to distinguish their communication offer from the competition. Thus, firms may practise relational marketing for several reasons: 1.) lower price and better performance (NM: worldwide vertical and horizontal inter-organisational co-operation and integration of
activities to reduce costs and to offer value added services in the final customer market), 2.) trust (IM, to a lower degree IT-M and DM: increasingly important because of greater distances and cultural differences on global markets), and 3.) direct communication and distribution (IT-M, DM, IM, NM: to communicate directly to consumers worldwide, direct access to foreign markets, to serve small markets profitably, to adapt to the local market structure, to obtain local information and resources, access to local public and private infrastructure).

Following two basic conceptual arguments of the paradigm shift from transactional to relational marketing 1.) on contemporary mature and highly competitive western markets, firms and product offerings are less distinguishable by price and benefit (factual dimension), and 2.) to retain its customers will be less costly for the firm than to win new customers, more fundamentally, firms may practise relational marketing to attract customers and to raise customer loyalty by personalization (social dimension) and historization (time dimension) of the firm’s communication offer. To address the exchange partner individually and to stabilise the single exchange relation, interaction should be noted as the most effective relational marketing instrument to reduce complexity, competition, and dynamic within global markets.

Parallel to the realization of world society (structure of global interrelation), face-to-face communication gains in societal relevance as mechanism of attraction and retention, because communication under person present is more valid, intense, lasting, informative (perceived intention or possibly opportunism), reduces uncertainty, produces trust, and foremost, might initiate a self-reproducing communication process based on self-reference, creating and stabilising a buyer/seller-social system. Once the system has a history, the separation of communication and each re-relation to different communication is, of course, still possible, but less probable (self-reference). On the micro-level, relational marketing reduces the complexity of
global interrelation (macro-level), because relations which serve the seller as retention mechanism, serve the buyer as convenience mechanism of selection. The communication offered within a relation will likely be accepted, because to choose the relational offer (instead of searching further) is the nearest possibility.

**Conclusion**

By the application of sociological systems theory, the paradigm shift from transactional to relational marketing has been analysed as re-integration (what has been separated without coupling before). The re-integration occurs on three levels of communication: the mental level (dimensions of meaning time, factual, social), the level of societal structure (functional differentiation, global interrelation as parallel structure to functional differentiation, re-integration as cross-structure to functional differentiation and global interrelation), and the level of types of social systems (interaction, organisation, network, society). On the mental level, the paradigm shift from transactional to relational marketing indicates a shift from “an emphasis on the factual dimension” (discrete anonymous transaction) to “an equality of the dimensions time, social, and factual” (long-term personal exchange relation). On the macro-level of societal structure, relational marketing seems to be causally related to two developments: the maturation and the rising complexity of functional differentiation and global interrelation. Firstly, the shift towards systematic networks of exchanges between the function system’s subsystems indicates a shift from “to differentiate” to “to re-integrate the differentiated” (intra-functional cross-border relation). Secondly, the shift in marketing strategy from winning to retaining customers signifies a shift from “building structures” (processes of functional differentiation and spatial expansion) to “retaining structures” (retention of relations within the saturated global function system).
On the level of types of social systems, lastly, the interesting phenomenon, apparent at relationship marketing, might be that the implementation of the structure of functional differentiation (here constitution of the economy) and the structure of global interrelation (here globalization of markets) were based not only on the primary orientation in the factual dimension (here profit) but as well on the function system’s independence from interaction (independence from the spatial dimension, communication under person present). However, it seems that the more mature and globally interrelated the function system, the more stable and personal communication as well as interaction become important. Both, the structure of functional differentiation and global interrelation seem to detract from the achievements which were, or maybe still are, the condition for the realization of the dual societal structure: universalism defined by indifference (irrelevance of the time and social dimension) and independence from interaction (constitution and globalization of the function system through organisation, network, and technology). Contributing to a theory of evolution, again, there seems to be a shift in the mechanisms social systems prefer: within the process of formation (separation) and after the constitution of modern world society (re-integration).

**Method**

In this research project *The Genesis and Evolution of Modern World Society: Systems Theory Analysis of The Paradigm Shift From Transactional To Relational Marketing*, the paradigm shift from transactional to relational marketing as well as the different types and social mechanisms of relationship marketing will be analysed on the one hand by the application of sociological systems theory and theories of world society and on the other hand on the basis of the empirical data of the CMP-Project (Contemporary Marketing Practices). Thus, in the following this paper
will 1.) introduce the CMP-Project as a research group, its research interests and data collection, 2.) formulate the basic research questions, which derived mainly from the section “The Paradigm Shift from Transactional to Relational Marketing”, 3.) outline the empirical and theoretical approach, and 4.) state the overall intention of this research project.

**CMP-Project**

The CMP-Project was founded in 1996 by Rod Brodie and Nicole Coviello. Its program studies Contemporary Marketing Practices around the world. The research team members, which are normally marketing professors in a university environment, build a global network of marketing academics. The core group of researchers are from New Zealand, Canada, USA, UK, and Argentina. The extension of the group includes researchers from Sweden, Finland, Germany, Ireland, Spain, Thailand, Korea, and Ghana. The main research objective of the CMP-Program is to understand *how firms relate to their markets* by integrating traditional and more modern views of marketing and incorporating the antecedents and consequences of different marketing practices. The CMP research follows a relativistic, positivistic, and pluralistic research philosophy. The programme of research was originally based on a theoretical framework developed from a synthesis of the international marketing literature (Coviello, Brodie and Munro 1997).

The study participants, which are normally middle-senior managers (any type of organization), have direct access to and experience in the organisation they report on. Ideally, the CMP research is replicated as a required assignment in a part-time executive course on marketing (e.g. as part of an MBA). The two most common ways of the CMP data collection are 1.) a structured survey instrument, and 2.) participant-observer cases/ independent case research. The Marketing Practice Survey approach is based on a structured, self-administered
questionnaire to profile the marketing activities of the respondent’s organization. The study participants receive the survey in advance, or in the first week of a mandatory course in marketing management and complete the survey as a 'take-home project' over a period of 1-2 weeks. The case research approach contains a) participant-observer cases (course participants write a case report about the marketing practices of their organization), and b) independent cases (the professor and/or research students conduct independent case research on firms).

In the Marketing Propositions Research associated with the CMP program the course participants develop a detailed case report on their organization. The participants receive a written assignment (to read about the propositions of Gronroos (1996), to describe their organization (firm size, firm age, market served, or any other aspect they feel is relevant), to rate the importance of each proposition to their organization, to rate the extent to which each proposition is supported in practice by their organization), and are asked a) to develop cases in the context of the six propositions about marketing (Gronroos 1996), and b) to identify issues/ideas related to 'new propositions'.

**Research Questions**

By the application of sociological and economic approaches as well as on the basis of the empirical CMP-data, basically the following research questions will be studied:

- The features of exchanges based on relationships as such and in contrast to traditional market exchange.
- The change in the nature of economic exchanges.
- The relevance, problems, and conditions of interaction as a retention mechanism of exchange patterns.
The forms of manifestation of the time and social dimension in economic exchanges.

How firms balance the three dimensions time, factual, and social (when on which to emphasize).

The change, features, problems, and conditions of intra-functional cross-border relations between:

A  the buyer and the seller in the final customer market.
B  firms in the supply chain (value chain integration).

The problems and strategies of firms to establish and stabilise relationships within global economy and society, especially in response to distance, national and cultural differences.

**Empirical and Theoretical Approach**

In one respect, the studies of this research project are based on an analysis of the empirical data of the CMP-Project. The whole data available - survey results (esp. open-ended questions) and case studies, data from transition economies (TEs) and mature markets, cross-national and longitudinal data – will be re-analysed from a sociological point of observation and explanation.

From the empirical data available, the following aspects serve as the starting point of the analysis. In how far the firm’s relationship marketing practices are causally related to:

- Organisational resources (e.g. liquidity, qualified staff, technology, organisational structure).
- Firm characteristics (e.g. firm size, firm age, country, international activities/subsidiaries, sales growth).
- Knowledge capabilities of the firm (e.g. third training, scientific expertise, experience on foreign markets).
- Firm objectives, strategies, and measures (e.g. relationship building, globalization).
- Sector of the firm (B2B, B2C, services, and goods).
- Economic environment of the firm (e.g. economic-political (in)stability, purchasing power in the local market).
- Broader macro-environment of the firm (e.g. perceived uncertainty, mistrust, crime, poverty, social norms).
- Demand/supply-structure of the (local) market served (e.g. transition economy versus mature market).
- Perceived customer needs and expectations (e.g. service, communication, collaboration).
- Perceived behaviour and relationship strategies of the competition.
- Changes and trends in the market (e.g. general and industry specific).
- Technological developments.

In the second respect, the studies are based on an intense analysis of sociological and economic literature. The former includes literature in particular on social systems, evolution, market, network, organization, multinational corporations, and world society. The latter emphasizes literature on marketing in general, relationship marketing, and international marketing.

**Overall Intention**

In this interdisciplinary, empirical and conceptual research project, at last, all the empirical information, economic and sociological concepts and ideas will be combined to develop more general approaches explaining:
The development, maintenance, and social relevance of relationships within modern world society.

The social mechanisms of retention that stabilise communication patterns within global systems.

The correlation between the changing behaviour of firms (emergence of relationship marketing) and a) the full-realization and maturation of the societal structure of functional differentiation (modern society) and b) the constitution and rising complexity of the societal structure of global interrelation (world society).

Overall, it is the main research intention to contribute to an extension of the theoretical capabilities of sociological systems theory by observing Relationship Marketing as a relatively new empirical phenomenon and developing conceptual arguments of explanation, which should be interesting for both, sociology and economics.

References


---- 1996b. Man zwingt andere Begriffe zur Anpassung (One forces other terms to conformity). *Universitas* 51: 1017-1027.


