The authors propose a communication-based model of relationship marketing and discuss how communication (rather than persuasion) is the foundation of the "new" customer-focused marketing efforts. The authors trace recent parallel shifts in communication and marketing theory and show the intersections between communication and marketing. Although communication always has been a critical element in marketing, the authors show how the increase in interactivity makes communication an even more valuable element of marketing by identifying those many points that link the two disciplines. Using the three key points at which the two disciplines intersect—messages, stakeholders, and interactivity—the authors develop a communication-based model of marketing. They demonstrate how interactive communication at three levels—corporate, marketing, and marketing communication—leads to the brand relationships that drive brand value.

In the opening session of the 1997 AMA Summer Educators' Conference, the chief executive officer of Harte-Hanks Data Technology called for a new marketing model to guide marketing in the interactive future (Switchenbank 1997). The communication-based marketing model presented here provides that type of direction for companies wanting to focus their efforts better in acquiring, retaining, and growing relationships with customers and other stakeholders.

The increasing need to manage relationship building has brought forth a variety of "new generation" marketing approaches—customer-focused, market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing, and integrated marketing communications (IMC) (Cross and Smith 1995; Day 1992; Parvatiyar and Sheth 1994; Payne 1995; Reichheld 1996; Stewart 1995; Webster 1992, 1994; Whiteley 1991).

The increasing importance of communication in marketing is demonstrated by its ability to differentiate these new marketing approaches from traditional ones. Each approach emphasizes two-way communication through better listening to customers and interactivity and the idea that communication before, during, and after transactions can build or destroy important brand relationships (Duncan and Moriarty 1997; McKenna 1991; Peppers and Rogers 1993; Schultz et al. 1993; Zinkhan et al. 1996). In this article, we argue that the new generation marketing is best explained, understood, and accomplished with a communication-based model of relationship marketing.

We show that (1) there are common theoretical roots of communication theory and marketing theory that parallel and enrich each other; (2) marketing today is more communication dependent; (3) brand communication includes more than marketing communication; (4) brand communication (both one- and two-way) operates at the corporate, marketing, and marketing communication levels; (5) managing brand communication must take into consideration stakeholders other than just customers—employees, suppliers, channel members, the media, government regulators, and the community; and most important, (6) communication is the primary integrative element in managing brand relationships.

Our objective, therefore, is to provide a deeper understanding of communication theory, so that companies can identify and manage better the brand communication that determines the quantity and quality of their brand relationships, which we define as the relationships that exist between a brand or company and its stakeholders. We look first at communication theory developments that parallel marketing theory developments and then review points of intersection at which communication and marketing theories overlap. We show how a communication-based model of marketing addresses the needs of relationship building better than does the traditional 4Ps marketing model.

A Review of the Fourth P
To explain the evolution of brand communication, we start with Borden's (1964) seminal work on the marketing mix, which identified 12 elements—product, pricing, branding, distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. McCarthy's (1964) 4Ps model—product, price, place, and promotion—simplified Borden's work and has been the instructional guideline for most marketing courses. Over the years, various scholars have attempted to modify McCarthy's work by adding functions to the set (Christopher, Payne, and Ballantyne 1991; Mindak and Fine 1981; Rafiq and Ahmed 1995; Shapiro 1985). These modifications, however, continue to perpetuate the functional approach to marketing.

Recognizing the need for an approach that more realistically reflects the relationships embedded in the marketing mix, Waterschoot and Van den Bulte (1992) concluded that a major flaw of the 4Ps model is that it equates communic-
The Argument for a Communication Perspective

Although we applaud Waterschoot and Van den Bulte's work, we have several concerns. The first is calling the common denominator persuasion rather than communication. Although we strongly agree that all marketing mix elements send messages, we disagree that they always are intended to be persuasive. The notion of persuasion as traditionally used in short-term, transaction marketing is manipulative (dictionary definitions of persuasion use such words as urge, influence, entice, impel, and induce—i.e., winning someone over to a certain course of action or point of view).

The second concern is that persuasion, especially in transaction-based marketing strategies and executions, is primarily one-way communication. We suggest there are communication roles in relationship building other than persuasion, such as informing, answering, and listening. In other words, persuasion is more limited in impact and scope than communication. Companies interested in being more customer focused and in building relationships focus on communication rather than just persuasion, because communication—not persuasion—is the platform on which relationships are built.

Third, we believe that implying that the marketing mix is the only or primary source of brand messages is too limiting. Everything a company does, and sometimes does not do, can send a brand message with varying impact (Schultz et al. 1993). For example, a company's hiring practices, its environmental policies and behavior, and its financial performance have communication dimensions that cue or signal important meanings that affect brand relationships. Furthermore, psychologists have long recognized that you cannot not communicate (Watzlawick, Bavelas, and Jackson 1967, p. 51). Companies and brands must manage better what they do not say as well as the broad spectrum of planned (marketing communication), unplanned (e.g., word of mouth, media investigations), product (price, distribution, design/performance), and service messages they deliver.

Fourth, many marketing roles, particularly in services, are fundamentally communication positions that take communication deeper into the core of marketing activities. Bankers, for example, have found that their role has shifted to financial counseling, which involves the processes of listening, aligning, and matching—all of which require communication and active listening skills, as well as persuasion. The fact that more than three-fourths of the gross domestic product is now service based, and most business-to-business and mid- and high-priced consumer goods (e.g., cars, appliances, computers) have critical service components increases the pervasiveness of communication activity. Another example is in sales force automation, in which the primary objective is to manage data to respond to customers faster and to increase the personalized aspect of presentations and responses. Communication not only is spread throughout all marketing activities; it is at the heart of many marketing functions.

Although persuasion has an important role in marketing, when persuasion is foremost it places undue emphasis on transactions and the short term. When communication is foremost and listening is given as much importance as saying, interactive relationships become the focus. The result of the latter is that a higher percentage of customers are retained and their value increased.

The Centrality of Communication

Communication is the human activity that links people together and creates relationships. It is at the heart of meaning-making activities not only in marketing, but also in a wide range of political, social, economic, and psychological areas. It serves as a way to develop, organize, and disseminate knowledge.

Admittedly, there is a tendency in the study of communication to fall into the communication fallacy, which proposes indiscriminately that all human activities are driven by communication. Although that might be true in a theoretical sense, we acknowledge there are factors other than communication that drive brand value. We argue, however, that communication, because of its meaning-making and organizing functions, plays a unique role in building brand relationships.

The traditional communication model (Lasswell 1948), which includes a source that encodes the message, the channel or medium through which the message is transmitted, noise that interferes with the communication processing, a receiver who decodes it, and feedback that sends the receiver's response back to the source, could be a metaphor for marketing (see Figure 1). The source is the company, the message the product, the channel the distribution system, noise the clutter of competitive products and claims, the receiver the customer, and feedback the information received through customer service, sales, and marketing research. In other words, the connections between marketing theory and communication theory go beyond the simplicities of the communication fallacy.

The Integrative Role of Communication

From the perspective of communication theory, Waterschoot and Van den Bulte's model, which positions persuasion as the integrative marketing communication function, reverses the relationship between communication and persuasion. In most communication models, persuasion is an element of communication and communication is the integrative factor, not the other way around. Schramm (1973, p. 46) makes the relationship clear: "Persuasion is primarily a communication process." Here, and in other models of communication in communication textbooks, persuasion is only one of the traditional areas of study and research,
which also include mass, interpersonal, nonverbal, and organizational communication.

The notion that communication is a central integrative process in marketing is demonstrated in the evolving theories of integrated and relationship marketing. In a special session on IMC and relationship marketing at Emory University's 1996 relationship marketing conference, Zinkhan and colleagues (1996) argued that these two are complementary metaphors.

There are also important points of intersection between communication and marketing theory that support the argument for a communication-based model of relationship marketing. When properly done, communication is the integrative element that helps tear down functional silos internally while closing the distance between the company, its customers, and other stakeholders.

**Points of Theory Intersection**

Both marketing and communication theory are in the midst of fundamental changes that are similar in origin, impact, and direction. Parallel paradigm shifts move both fields from a functional, mechanistic, production-oriented model to a more humanistic, relationship-based model.

In his introduction to communication studies, Fiske (1990) identifies two schools of thought—the functionalist approach and the newer interpretive approach, which focuses on the receiver. Others suggest that the functionalist approach is giving way to a more humanistic and interpretive communication model (Jensen 1988; Newcomb 1988). This shift in communication theory was explored in *Ferment in the Field*, an international symposium held in 1983 (Dervin et al. 1989). As Everett Rogers observed at the time, there have been two decades of fractious debate in the communication community that has produced this paradigm shift.

During the past decade, a similar rethinking took place in marketing. In Webster's (1992) call for a paradigm change, he suggested that marketing should shift emphasis from products and firms to people, organizations, and social processes. He observed that the narrow conceptualization of marketing as a short-term profit maximization function seems increasingly out of date. He identified the change as one that focuses on relationship management rather than transaction management. Similar thinking has led Jagdish Sheth and his colleagues at Emory University to refocus that marketing program on relationship marketing.

**Relationships**

The debates in communication studies and in marketing have arrived at the same conclusion: There should be less focus on functionalism and production and more on relationships and meanings. Regarding communication, Planalp (1989) observes that personal and social relationships became particularly important areas of study during the 1980s. Schramm (1973, p. 3) notes that the study of communication is fundamentally a study of relationships: "Society is a sum of relationships in which information of some kind is shared." He also states that "to understand human communication we must understand how people relate to one another." Relationships, in other words, are impossible without communication.

Similarly, as the traditional marketing mix elements have become commoditized, companies are realizing that their most valuable assets are relationships with customers and other key stakeholders. This is because the net sum of brand relationships is a major determinant of brand value (Duncan and Moriarty 1997). The importance of relationships as market-based assets that ultimately contribute to shareholder value is discussed by Srivastava, Shervani, and Fahey (1998).

In Webster's (1992) view, ongoing customer relationships are the company's most important business asset. Estimates that it costs six to nine times more to acquire a new customer than it does to retain a current one demonstrate the value of relationships (Peppers and Rogers 1993). In addition, profits per customer increase with customer longevity, because the longer customers are with a company, the more willing they are to pay premium prices, make referrals, demand less hand holding, and spend more money (Reichheld 1994). The more a company can do to strengthen customer and other stakeholder relationships, the more cost-effective its marketing effort will be.

Relationship marketing literature, however, often fails to include the communication process as a critical dimension in relationship building, focusing instead on elements such as trust and commitment, which are *products* of communication. There is a blurring of functions as well. Gronroos (1990) observes that in the service category it is difficult, if not impossible, to separate service operations and delivery from relationship building. This is another reason why the role of brand communication must be recognized to understand and manage relationships better.
Although in their new approaches to marketing, managers have moved toward a more humanistic and relationship-based model, often they have done so intuitively, not fully understanding the critical role of communication. In many cases, companies have not adopted a process for efficiently and effectively managing all their interactivity with customers and other stakeholders. For example, in a major cost-cutting move, US WEST reduced its customer service personnel to the point at which customers and potential customers could not call their phone company because the lines were always busy. Although this resulted in millions of dollars in fines from public utilities commissions and much negative publicity, ironically the company simultaneously was spending nearly $50 million on mass media advertising, some of which was for products to improve their customers’ customer service (Duncan and Moriarty 1997).

In addition to the shift to a relationship focus, there are other theoretical concepts that are basic to both communication and marketing, such as transaction and exchange; the concepts of signals, channels, and feedback; and information and information sharing. Looking at these as additional points of intersection helps identify the mutual concept development between the two fields. It also identifies the critical dimensions of a communication model of relationship marketing, as shown subsequently.

**Exchange and Transaction**

The notion of exchange in marketing theory is similar to the notion of exchange in communication. Lin (1973, p. 9) defines communication as a field in which “the nature of human symbolic exchange” is studied. Inherent in the marketing concept of exchange is a communication element. A person cannot exchange money for goods without some communication about what is being offered and what is being asked for in return. The notion of transaction, however, connotes different meanings.

In communication, exchange involves two-way communication—a process called *transactional* communication—which reflects communication scholars’ emphasis on conversation and dialogue. As marketing has shifted to a relationship focus (in which a series of transactions define a relationship), it also has become more concerned with the transactional dimensions of marketing, rather than just the transactions themselves. The focus of a transactional approach to marketing—as opposed to a transaction approach—is on close, long-term, interactive (two-way) relationships.

We make a distinction here that is not found in most marketing literature. Gundlach and colleagues (1995), for example, discuss the paradigm shift from transactional to relationship marketing. They are not talking, however, about two-way communication but rather are using *transactional* to refer to purchase-focused (sell/buy) strategies. Although this might seem like a semantic nuance, understanding the distinction between transaction (sell/buy) and transactional (two-way communication) can help the development of marketing theory by adding the communication notions of balance, symmetry, and reciprocity (i.e., interactivity).

The notion of shared understanding, which is the product of transactional communication, is important to relationship marketing. For example, Hutt, Walker, and Frankwick (1995) identify the lack of a shared understanding as a central challenge to strategic change. They include this in a discussion of communication barriers and make the point that departments (employees) must develop a “shared language that reflects similarities in members’ interpretation, understanding, and response to information” (p. 23). They observe that “organizational members unfamiliar with it [the code] may distort and misinterpret it and find communication with the departmental members difficult” (p. 23).

The contribution of the communication notion of exchange is the addition of two-way (or transactional) communication to a model of marketing that has been primarily one-way and focused on transactions. Sending brand messages is important, but responsiveness and shared understanding is just as important in relationship marketing.

**The Concept of Channels**

In Schramm’s basic communication model, information flows through channels of communication, or media. Channels in marketing studies refer to distribution instead of communication, and “flow” is represented by the movement of goods. In marketing’s value chain, Schramm’s stream metaphor contributes the idea of upstream (suppliers/vendors) and downstream (distributors, customers). What is common to both is that a channel is a conduit through which a stream of something (products, information) flows.

In addition to sharing the channel metaphor, distribution also has a significant communication component in the physical and technological handling of a product. Innovations such as just-in-time delivery and Wal-Mart’s flow-through distribution centers are based as much on information innovation as on the physical movement of goods. To demonstrate the communication dimensions in distribution, Buzzell and Ortmeyer (1995) analyze distribution in terms of exit and “voice” relationships, models that also showcase the important role of communication. Stewart and colleagues (1996) make the argument that a blurring of the distinctions between channel management and communication has occurred.

**Feedback**

An important part of any communication model is feedback, by which the receiver’s response is made known to the sender. Schramm (1973, p. 51) describes feedback as a “reversal of the flow, an opportunity for communicators to react quickly to signs resulting from the signs they have put out.” Feedback is central to two-way communication; without it there is no dialogue. Even a nonreaction qualifies as feedback (Windahl and Signitzer 1992, p. 121).

Traditional marketing has used market research studies as well as sales results to monitor the success of marketing activities. Although these practices have guided companies in making changes that made their products more acceptable and improved brand loyalty, the new interactive technologies significantly change the concept of feedback. As media and computer technology increasingly converge, feedback will be more instantaneous, more far reaching, and in greater quantities. In other words, the quantity, quality, and speed of feedback today is another area that separates rela-
relationship marketing from traditional marketing. A good example is General Electric's Answer Center, which handles approximately three million calls each year at a cost of $10 million. This interaction builds customer relationships both directly and indirectly by enabling the company to track needs, wants, and product performance and to respond to all of these more quickly.

Day's (1992) market sensing concept is a strategic approach to marketplace feedback that involves four steps: open-minded inquiry, synergistic information distribution, mutually informed interpretations, and accessible memories. This model joins information processing with qualitative and interpretive research. Note that all four steps are communication based. In other words, Day emphasizes that merely receiving feedback is not enough. Its full value is not realized until it is distributed, interpreted with mutual understanding, and retained for future use.

Feedback is also important in organizational communication and in the diffusion of information about new products. Hutt, Walker, and Frankwick (1995) argue that significant changes, such as technological changes, can tax the formal and informal communication in any organization, a problem that best can be monitored through ongoing feedback programs. This problem is particularly critical for marketing, because of its involvement in new product development and its need for strong internal marketing to employees and sales departments. Gilly and Wolfinbarger (1998) note that employees do notice and evaluate their employer's advertising. Furthermore, there might be gaps between the perceptions of the employees and the advertising decision makers that have important managerial implications.

Information
Information—the product of communication—is the tie that binds in any relationship, including commercial relationships with customers and other stakeholders. Discussion of information flow, information processing, and information sharing are found in both consumer behavior and communication literature. Information, described by Schramm (1973, p. 38) as "the stuff of communication," is defined more formally by him as "whatever content will help people structure or organize some aspects of their environment that are relevant to a situation in which they must act." In other words, information is something that makes decision making easier by reducing uncertainty. The centrality of information processing to both fields illustrates how important this concept is to the two disciplines.

Information processing has dominated most approaches to marketing communication, which suggests that communication can be managed or controlled. If marketers understand the complex chain of mental events that consumers go through in making a purchase decision, they can integrate different ways of communicating their messages to ensure that the necessary mental events take place in the most effective information environment (Penrice 1995).

The communication-based model of relationship marketing, however, adds the idea that information sharing also can strengthen brand relationships and help integrate organizations and strategies. Day's (1992) market-sensing approach, which is built on the notion of close communica-

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**Signs and Signals**

Various articles on signaling in marketing literature reflect a new found interest in signs and symbols and how they communicate (Bagwell and Riordan 1991; Dawar and Parker 1994; Kilström and Riordan 1984; Milgrom and Roberts 1986; Moore 1992; Robertson, Eliaherg, and Rymon 1995). In communication studies, these topics appear in interpretive and cultural studies (Fiske 1989; Jaglom and Gardner 1981) and semiotic analysis (Berger 1984; Eco 1979; Fry and Fry 1983).

Levy's (1981) seminal 1959 piece "Symbols by Which We Buy" introduces interpretive communication methods to marketing. This tradition continues in the works of Mick (1986, 1988), McCracken (1989a, b), and others (Hirschman 1990/91; Sherry 1987; Verba and Camden 1985). In particular, the consumer behavior literature reported in *Highways and Buyways* (Belk 1991) is an important milestone in the more interpretive approach to the study of consumer behavior. This body of work represents marketing and advertising investigations conducted as studies of signs and symbols and how they signal meaning to consumers. The analysis of shared meanings and interpretation is particularly important in understanding the more subjective dimensions of corporate reputation and brand image.

Consumer behavior scholars make the point that all consumer decisions occur within a constellation of consumption activities, situations, social environments, and related products. In other words, consumers assimilate signals from many sources, including popular culture, as they ascribe meaning to their consumption activities (Deighton 1992; Klein and Kernan 1991; Solomon and Assael 1987). This meaning-constructing process happens through an exchange of shared signs and symbols; research in this area focuses on the interpretation of these signs.

Another marketing research stream focuses on signals by looking specifically at price and advertising and how they deliver messages that affect competitors as well as customers. According to Rao and Ruekert (1994), marketplace signals deal with a problem they identify as "hidden information" by providing informational devices that cue certain meanings. For example, when quality is hidden, signaling is used by referring to such devices as guarantees and war-
ranties. Branding is another signaling concept. Rao and Ruekert argue that an important function of brand names is to give consumers condensed information about a product.

People who write about marketing signals often define them in terms of their own area of investigation. For example, Rao and Ruekert (1994) define signals in terms of quality cues. Eliashberg and Robertson (1988), in their article on new product announcements, define a signal as an announcement or move that precedes a new product introduction. Regardless of the applied nature of this concept, a signal is a sign that cues or influences some action or interpretation by customers, competitors, or other stakeholders, and it is very much a communication function.

Figure 2 visually summarizes the points of intersection we have discussed. The figure identifies pairs of conceptually linked intersections. Customers and other stakeholders, for example, connect to an organization through relationships. Interactivity is only possible if there are channels for communication and feedback to turn one-way communication into two-way. Messages are signs or signals that are composed of information. Figure 2 also depicts how these pairs intersect with each other on a platform of communication. In Table 1, we summarize these intersections as three critical factors—stakeholders, messages, and interactivity—in a communication-based model of relationship marketing.

The Integration Perspective
As explained in Driving Brand Value (Duncan and Moriarty 1997), customers and other stakeholders automatically integrate brand messages. Marketers must decide whether to abdicate this integration to customers and stakeholders or to manage it. A communication-based model of relationship marketing underlines the importance of managing all brand communications as they collectively create, maintain, or weaken the profitable stakeholder relationships that drive brand value.

TABLE 1

<table>
<thead>
<tr>
<th>Common Elements</th>
<th>Related Key Factors in Integrated Marketing</th>
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<tbody>
<tr>
<td>in Marketing and Communication</td>
<td>Customers &amp; other stakeholders</td>
</tr>
<tr>
<td>Relationship Exchange</td>
<td>Interactivity</td>
</tr>
<tr>
<td>Channels Feedback</td>
<td>Information Signs/Signals</td>
</tr>
<tr>
<td>Everything sends a message</td>
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</table>

Shapiro (1985) notes in his review of marketing mix literature that the marketing mix must be planned as an integrated whole by applying such ideas as consistency and integration. He explains (p. 28), “While consistency is a coherent fit, integration is an active harmonious interaction among the elements of the mix.” Likewise, a concern for better coordination among the various marketing mix programs was demonstrated by Texas Instruments when it devised a turnaround strategy in 1995 that focused on creating internal marketing cooperation (Smith 1995). Solomon and Englis (1994) discuss the important role of product complementarity in integrated communications. As noted by Kreutzer (1988), marketing mix integration and standardization is an even greater challenge in international programs.

Implied in the phrase “Everything sends a brand message” is the need (1) for brand messages to be strategically consistent to positively influence the perception of these messages, (2) to focus on stakeholders and not just customers, and (3) to ensure that brand communications are not just one-way, but interactive. Following is a discussion of the integration implications of these three principles and how they operate at the corporate, marketing, and marketing communication levels.

Messages
Brand messages originate at the corporate, marketing, and marketing communication levels. In other words, all corporate activities, marketing mix activities, and marketing communications have communication dimensions.

At the corporate level, messages sent by the company’s overall business practices and philosophies have communication dimensions. For example, its mission, hiring practices, philanthropies, corporate culture, and practice of responding or not responding to inquiries all send messages that reconfirm, strengthen, or weaken brand relationships.

At the marketing level, a communication-driven model of marketing requires that brand messages sent by other aspects of the marketing mix also must be managed for consistency. Product messages, for example, are the ones customers and other stakeholders infer from the product’s performance, appearance, design, pricing, and where and how it is distributed. Tupperware, the home-party distribution of kitchen and other household containers, found that
it was perceived as an old-fashioned company, because the appearance of its products had not changed in years. To send a more modern message, the company simply changed the color of its products, giving them a more contemporary appearance. Price and distribution send important messages, as can be seen in the streets of New York, where shoppers are not rushing to buy a Rolex watch for $19.99; the price and distribution points both suggest that this watch is not authentic.

Service messages conveyed by distributors, sales staff, customer service representatives, and corporate staff, such as secretaries and receptionists, also affect brand relationships. For example, in an integrated marketing audit we conducted for a retail chain, sales clerks demonstrated good product knowledge and willingness to advise customers in making a purchase. However, when these same sales clerks were approached with a returned product, they became distant and made little eye contact, communicating displeasure and sending a negative brand message.

Recognizing and managing the indirect, implied, and hidden communication dimensions at all marketing and corporate-level brand contacts is necessary if a company wants to maximize profitable brand relationships. For example, when Montblanc reorganized its whole marketing operation in the early 1990s, it eliminated distribution in discount stores and dropped all models below a certain price point. This was done to send a strong brand message that Montblanc pens were upscale, status, big-quality writing instruments.

At the marketing communication level, a basic premise of relationship marketing is the need for executional consistency among all marketing communication messages, so that trust can be built and there is coherence in stakeholder perceptions. At this level, IMC generally has one voice and one look for each target audience, regardless of the marketing communication function (e.g., advertising, public relations, sales promotion) or media being used.

The key to managing the point of perception is to deliver and receive messages on a platform of strategic consistency. That does not mean all messages say the same thing. Strategic consistency means the messages are appropriate for their audiences; however, there is consistency in the way corporate values are presented, how products perform, and how the brand is identified and positioned. As brand messages are decoded—assuming they are not inconsistent—they are transformed into the stakeholder perceptions that are the building blocks of brand relationships.

Perception is more important than reality in managing many relationships. The PIMS studies (Buzzell and Gale 1987, p. 103), for example, identify two types of quality—conformance quality and perception quality. Although conformance quality, meeting a set of specifications or standards, is important, perception quality, which calls for viewing quality from the customer’s perspective, is even more so. Perception quality drives behavior and often is influenced by the hidden or implied communication dimensions of the corporate philosophy and marketing mix. Although production is responsible for conformance quality, in most companies, marketing is responsible for perception quality.

Stakeholders, Not Just Customers

The review of intersections shows that there are several constituencies important to a brand’s success other than customers. At the organizational level, a company or brand’s stakeholder relationships involve far more than just customers. Ruth and Simonin (1995) refer to a much broader set of stakeholders—investors, the financial community, vendors and suppliers, employees, competitors, the media, neighbors and community leaders, special interest groups, and government agencies—that are corporate constituencies who can affect and be affected by a company’s marketing program.

The marketing level also has a broader set of constituents than just customers. Although Webster (1992) believes that ongoing customer relationships are the company’s most important stakeholder group (he states that customers are “first among equals”), he also identifies two relationships that are key to marketing’s success—suppliers and resellers. Gilly and Wolfinbarger (1998) focus attention on the importance of employees. The discussion of exchange included employees as well as customers; the signal literature includes competitors as well as consumers; the discussion of channels referred to upstream and downstream strategies as targeted to suppliers and distributors as well as customers. In other words, there is a variety of stakeholders other than customers who are involved in, and affected by, a marketing program.

The wider stakeholder focus is also true at the marketing communication level. Although customers and prospects are primary targets of most marketing communication efforts, the trade is also important. If public relations is included in the communication mix, then it also manages communication programs for employees, the financial community and investors, government and regulators, the local community, and the media. In support of an extended view of marketing constituencies, Ogilvy and Mather’s “brand stewardship” audit includes not just customers, but all key stakeholders.

Another important integration reality that relates directly to stakeholder perception is the notion that stakeholders overlap: Customers also can be employees, investors, members of special interest groups, and neighbors in the community. (The extent of the overlap will vary by industry and company.) This means companies must take into consideration how the intended target audience will respond not only to a brand message, but also when they wear their other stakeholder hats.

Webster (1992) notes that there is a blurring of boundaries in relationships and that customers can be competitors and vendors, as well. In another example, we conducted an integrated marketing audit of a bank and found that three-fourths of the employees were also shareholders and more than 90% were customers. If this bank were to tell shareholders that its outlook was extremely positive and then tell employees that raises would be withheld because of competitive pressures, the bank would have a lot of explaining to do, not to mention how its level of trust would be affected.

Identifying a broader set of constituencies has bottom-line implications. Kotter and Heskett (1992) found that firms that emphasized the interests of three constituencies—
customers, employees, and stockholders—outperformed those that emphasized only one or two. Over an 11-year period, Kotter and Heskett found that the firms focused on all three groups increased their revenues by an average of 682% versus 166% for the groups with a more limited focus. They also increased their stock prices by 901% versus 74% for the others. In these high-performing companies, Kotter and Heskett found a value system that communicated the importance of all these constituencies, a commitment that often was described by employees as integrity, or “doing the right thing.”

**Interactivity**

Interactivity is a hallmark of the paradigm shift in both marketing and communication. If relationships are the objective, then impersonal mass communication must be supplemented, especially in business-to-business and service categories, by personal customized communication that by definition is interactive.

At the corporate level, interaction is very much in keeping with other business practices, such as total quality management, which requires that everyone involved in the process be made a partner in its outcome. Guillon (1994) argues that interactive communication is fundamental to successful teamwork, particularly in lean management models of organization.

As interaction is implemented at the marketing level, partnerships with suppliers and distributors become more important. Buzzell and Ortmeyer (1995) acknowledge that channel partnerships are based on exchange of information and just-in-time communication technologies, which help lower costs and improve service to the customer. In an integration program, both one- and two-way communication tools are used strategically to reinforce each other and maximize interactivity. The role of mass media, for example, is to open more direct forms of communication and encourage prospects to identify themselves. More important, new two-way communication systems are designed to motivate and capture all pertinent interactions, not just transactions.

At the marketing communication level, interactivity is generated through a combination of one-way (e.g., mass media advertising, publicity) and two-way communication (e.g., personal selling, customer service). Direct marketing, sales promotion, and event marketing use both one- and two-way communications. Even packaging can be a mix of both if the package contains a customer service number or other response device. More efforts also are being made to introduce response devices in traditional one-way forms, such as 800 numbers and e-mail addresses in mass media advertising.

**A Communication-Based Marketing Model and Its Managerial Implications**

Because stakeholder relationships are influenced heavily by messages from and to a company, a brand relationship-building model should consider brand messages from all internal sources. Figure 3 illustrates this model and shows the corporate, marketing, and marketing communication levels. Figure 3 also illustrates the interactivity between the various message sources in an organization and the various stakeholders of the organization.

Because most organizational communication dimensions (other than marketing communication) are ignored, not recognized, or taken for granted, brand messages that originate at the corporate and marketing levels often are not managed strategically. Even marketing communication messages, especially in larger companies that have separate departments and agencies for each of the marketing communication functions, are often a mixed assortment of messages and images. For example, advertising messages could promise quality, sales promotion messages could promise bargains, and product publicity releases could discuss product safety. Even when a company does manage to achieve strategic consistency at the marketing communication level, these messages might have far less impact than brand messages coming from other marketing functions and corporate areas, not to mention brand messages originating outside the company (from customers, the media, and the competition). For a discussion of the strategic applications of communication-based relationship marketing, see the Appendix.

Because a communication-based model of relationship marketing recognizes that everything a company does (and sometimes does not do) sends a message that can strengthen or weaken relationships, it has several managerial implications. These implications apply to three areas: corporate focus, processes, and organizational infrastructure.

**Corporate Focus**

Because it is more cost-effective to sell to current customers than new ones, corporate focus should place more emphasis on relationships than transactions. Corporate focus also should be on stakeholders rather than just customers, as this helps companies avoid sending conflicting messages to overlapping stakeholder/customers, as Gilly and Wolfbarger (1998) point out. Stakeholder priorities also are changing constantly. During a merger or acquisition, for example, the financial community and employees might be the two most important stakeholder groups on which to focus. During a crisis, the media can become the most important group. As these priorities change, the resources of the company should be reallocated accordingly.

**Processes**

A process should be in place to facilitate purposeful dialogue with customers and other stakeholders. This dialogue should be purposeful for both the company and the target audiences; otherwise brand messages will be seen as “brag and boost” or intrusive. A system also is needed to ensure that all brand messages are strategically consistent. There should be a process for incorporating the mission of the company into all operations to continually remind all stakeholders what the company stands for. Both consistency and a well-regarded mission helps strengthen the trust on which brand relationships depend.

Finally, there must be a process of zero-based planning for marketing communication that is driven by prioritized SWOTs (strengths, weaknesses, opportunities, and threats). Zero-based planning helps identify those marketing com-
munication functions that are the most cost-effective ways to leverage critical strengths and opportunities and address key weaknesses and threats. For example, a brand with a credibility problem should consider using public relations rather than more mass media advertising.

**Organizational Infrastructure**

Integration is a systemic process that requires certain organizational support elements. One infrastructure element is to ensure that managers have a core competency in integration that requires (1) knowing the strengths and weaknesses of the company and how their respective area affects these, (2) understanding how the company works and how communication impact is created at various contact points, and (3) understanding and respecting the strengths of the various marketing and marketing communication functions. The role of core competencies as a necessary factor in marketing mix integration is discussed by Lynch and colleagues (1996).

Another critical part of the infrastructure, especially for companies that rely heavily on marketing communication, is partnering with communication agencies that understand and practice integrated brand communication. These agencies also must recognize that keeping and growing customers is just as important, if not more so, than acquiring new ones.

The most important organizational factor, however, is cross-functional management. Because relationship marketing (versus traditional transaction-based marketing) is more communication intensive at each level (e.g., corporate, marketing, marketing communications), cross-functional management is needed to plan and monitor messages for strategic consistency and inconsistency. A brand level cross-functional team must integrate the corporate and marketing levels, and a marketing communication cross-functional team must integrate activities between the marketing and the marketing communication levels (see Figure 3). This organizational structure makes it possible to plan and monitor brand messages going to and coming from all divisions.

An appreciation of the need for cross-functional organization must begin at the corporate level. Ambler and Barrow (1996, p. 186), for example, argue that the separate areas of marketing and human resources should work more closely together: "Strong corporate equity with the brand's customer can improve the return on HR, while at the same time improved HR can improve the return on brand equity from external customers." That will only happen if top manage-
ment is committed to tearing down the walls between departments.

Cross-functional management not only breaks down walls between departments and stakeholder groups but also helps institutionalize feedback and learning. Communication must be managed as a boundary-spanning activity to achieve linkage in a learning organization. Bohn’s (1994) model for managing technological knowledge relies heavily on shared understanding, which is dependent on communication. Integration is discussed specifically as a factor in organizational learning by Bharadwaj (1996), and organizational learning is analyzed as an integrative factor in Olavarrrieta and Friedmann’s (1996) work.

Day (1992, p. 324) observes that market-driven firms “do not suffer from organizational chimneys, silos, or smokestacks which restrict information flow to vertical movements within functions.” Day’s market-sensing concept calls for synergistic information distribution. Formal information connectedness facilitates the exchange of information and reduces the conflicts that inhibit communication.

For a cross-functional team to be successful, it must have the authority to reallocate budgets. Ukrop’s, a chain of retail food stores in the eastern part of the United States, provides an example. When it found that its check-out clerks and baggers had the most influence on customer relationships, it moved money from mass media advertising and sales promotion into training to maximize the positive impact of this intrinsic brand contact point.

Hallmark began using cross-functional teams a few years ago to develop new lines of cards. By bringing various groups together through a cross-functional team, the company was able to reduce significantly the traditional 25 hand-offs, enabling a new line to reach the market eight months ahead of the normal schedule. When Griffin and Hauser (1992) analyzed marketing, engineering, and manufacturing activities in the development of new products, they found that cross-functional communication was critical for success.

Key customers also can be involved in cross-functional teams. General Electric, for example, uses cross-company teams with its customer, Southern California Electric. The result of this team’s ability to communicate more accurately and quickly has been to reduce outage time and costs (due to turbine shutdowns) by 50%. To facilitate the cross-functional process however, requires tracking of customers and the support of a database management system that provides universal customer information and a corporate memory.

Summary

The social and associational nature of marketing and business in general depend on relationships. It is our premise, therefore, that understanding the role of communication in establishing and maintaining profitable stakeholder relationships is essential. Not only has communication always played a role in attracting and keeping customers (and other stakeholders), but with advances in new media and computer technologies, the benefits of understanding and applying communication theory and strategies to marketing have never been greater.

A communication-based model of marketing recognizes that the management of communication that builds brand value involves more than traditional marketing communication. Planning tools such as brand message audits, contact point analysis, and stakeholder maps are needed to identify message fractures, ignored stakeholders, and points of message confusion.

An appreciation of the complexities of brand communication makes it possible to understand the structural changes needed to facilitate cross-functional planning and monitoring of all brand messages. When this understanding exists, a company can apply this communication-based model of marketing more easily to deliver more effective relationship-building programs.

Appendix

Strategic Applications of Communication-Based Relationship Marketing

When the corporate focus, processes, and organizational infrastructure required for doing communication-based relationship marketing (CBRM) are in place, a company can build the brand relationships that drive brand value more effectively. Examples of some of the specific applications and benefits of using CBRM are the following:

• Because controlling or influencing brand messages is the basis for managing stakeholder relationships, it is critical to identify the origin of these messages (Duncan 1994). Communication-based relationship marketing will identify which department, program, or person is the sources of messages that stakeholders are receiving and where they are being received. This is what makes CBRM a customer-focused, outside-in model.

• Although product, pricing, and distribution messages generally do not involve human communication between customer and company, they can be anticipated and controlled, though the cost to control can be significant. For example, if marketing research finds that the design of a motorcycle is sending negative messages (e.g., old fashioned, slow, fragile), the cost to redesign could be hundreds of thousands of dollars and require months or years of work. Prioritizing in terms of message impact then becomes an important strategic task in creating cost-effective communication.

• Because CBRM takes a more macro approach to communicating with customers, it is not limited by functional boundaries. For example, the 4Ps concept of promotion is not inclusive enough to describe brand messages. Where, for example, does event marketing or direct marketing fit? Is direct marketing managed as part of the promotion component, or is it a distribution responsibility? Likewise, is packaging a product feature or a promotion responsibility? And where does customer service fit? And even more important, how does the 4Ps promotion element take into consideration all the brand messages other than those from marketing communication? This model provides a wider framework for the management of message impact.

• CBRM enables companies to identify and prioritize brand contact points, separating the intrinsic from the created. Intrinsic contacts automatically occur when buying or using a product. For example, when taking an airline trip, checking in at the airport is an intrinsic contact point because the product cannot be used otherwise. A created contact point is a planned
marketing communication effort and can include product and service messages as well as the usual marketing communication tools. If an airline's check-in representatives are surly and inefficient, this should be corrected before investing in advertisements that tout the airline's low-cost fares. Contact points must be prioritized, with budget allocations going to those that have the most impact on the most customers.

- CBRM helps companies identify points of stakeholder overlap at which the same person in different roles has the potential to receive reinforcing or conflicting brand messages.

- CBRM views transactions (and other interactions) as relationship building blocks. Lexus, for example, maintains a database of all critical interactions with customers, so that the company has the same "memory" as the customer. When a customer calls or comes into a dealership, no matter where in the country it is, the Lexus representative can pull up the customer's profile and interaction history, making the customer feel more important and the interaction more efficient.

- Through the use of relational databases that are universally accessible in a company, all employees who interact with customers have the same customer information.

- An integrated marketing audit can be used to identify and analyze all corporate and brand messages being sent to determine strategic message consistency and whether brand equity is being strengthened or weakened at the various points of contact.

- Finally, though communication programs are executed separately, CBRM provides a cross-functional management process for planning and monitoring brand relationships.¹

¹Adapted from Duncan and Moriarty (1997).

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Marketing Analyst.

Develop plans to increase sales and revenue for Oriental holding corporation. Research market conditions. Provide information to management. Prepare and conduct surveys of customers and consumers. Prepare reports for management. Develop plans for future investments. Gather data on competitors, costs of production, and consumer desires. Advise on future expansion, including planning new business sites or expanding to other types of business opportunities. Requirements: bachelor's degree in economics, marketing, or business administration with minor in economics or marketing. Fluent in speaking, reading, and writing Chinese. 40 hrs / week: 10:00 a.m. to 6:00 p.m. $24,000 / year.

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