IMPLICATIONS OF THE TREND TOWARD RELATIONSHIP MARKETING FOR EXPERIENTIAL LEARNING

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ABSTRACT

Marketing is expanding its focus on exchange by shifting from discrete exchanges to exchange relationships. Building on work of Arndt (1979, 1983) and Webster (1992), we agree that Marketing students need a broader framework than that provided by current curriculum standards. Moreover, we argue that the broadened framework will also have strong implications for the specific types of experiential learning that should be used.

INTRODUCTION

There have been many recent criticisms of business education, reflecting the changing nature of business and identifying the need to focus specifically on managing (or simply working with) others. The focus of our discussion is the basic framework being given to students, and the need to broaden it. The nature of experiential learning in business classes also needs to change in order to handle the changing world.

THE BASIC INTELLECTUAL FRAMEWORK

An important aspect of undergraduate education is the formation of the basic intellectual framework which students develop to provide a structure for their perception of the environment. We suggest that this framework structures how individuals recognize problems and opportunities, and how they apply the scientific method to the problem definition and solution stages. The role of business is changing, requiring that the basic framework instilled in students be changed as well. Adjustments to a perceptual model of the world are not made easily. The global economy has redefined the nature of business. Given our strong belief [influenced in part by such works as Arndt (1979, 1983); Drucker (1992); and Webster (1992)1 that relational marketing will become the norm as we adapt to a global economy, we assert that we need to look at the nature of the basic ground work being provided marketing students.

On an individual level, the current intellectual framework focuses on economic or psychological interpretations. With an increasing relationship orientation, concern for the other party's welfare will increase. Joint long term profits will override short-term individual opportunities. Given the strong individualism that dominates the U. S. culture, concern for the collective has to be presented in a compelling fashion. Further, the existence of relationships will present the opportunity to familiarize oneself (or the firm) with the situation faced by the partner. More emphasis on the situation, and less emphasis on the failings of the partner, may well be required in order to maintain long-term relations. The rest of this paper will develop more strongly our argument that the basic framework needs changing and discuss more specifically the nature of changes being suggested here in both "what" and "how" we teach.

THE INSUFFICIENCY OF OUR CURRENT FRAMEWORK

Our perspective of the changing business environment is that the current popularity of Relationship Marketing will continue. We contend that our root disciplines (economics and psychology) have tended to emphasize the transaction end of the continuum, and that the business world of the 21st Century will require a broader perspective. As Webster (1992, p. 13) noted, "the broadened view of the marketing function calls for work that spans the disciplines of political economy, organizational psychology, legal analysis, political science (government), and cultural anthropology." Similarly, Arndt (1979) suggested that more attention should be paid to the disciplines of political science, sociology, social psychology, and organization theory. It is not our point that we should drop the Economic or Psychological Paradigm from the basic framework, which we use to evaluate decision situations in Marketing, but rather that we should augment them with a perspective that acknowledges social relationships.

IMPLICATIONS FOR CURRICULUM CHANGE

We will now attempt to make more concrete suggestions as to how the marketing (and pre-business) curriculum should be changed in the short run in order to provide that broadened structure. We will first discuss "what" students should learn and then "how." Just as all students are required to take a sequence of Economics classes, we suggest that they be required to take a sequence of Sociology and Political Science/Public Policy classes. In this sequence, the relationship patterns specified by Fiske (1991) should be made central. More specifically, his four relational structures (communal sharing, authority ranking, equality matching, and market pricing) should be introduced and students should be guided to look for situations in which the wrong relational structures seem to exist.

In the psychology course required of business undergraduates, extensive coverage of constructs such as individualism/ collectivism (Triandis 1989) and the interdependent vs. independent self (Markus and Kitayama 1991) is needed. About 70% of the world lives in collective cultures, yet our education system perpetuates the ethnocentrism of our students by focusing on an "I-self" definition as opposed to developing an awareness of the interdependent self. Hofstede's (1980) work points out that the U. S. is nearly by itself in terms of individualism; we would argue that the Global Economy will necessitate the acquisition of a broadened view of the self. Knowledge about the in-groups found in collective cultures may provide insight as to the environment to be faced in strong marketing partnerships in the future. Triandis (1989, p. 63) notes that, in stable in-groups, "there are long time perspectives, people have a more stable self that derives largely from group membership, reciprocity norms apply among individuals, and the group is in equilibrium (if an outside force is applied the group will change only temporarily and will return to its previous condition)." The trend in Economics to consider Exchange Utility and embedded markets (Frenzen and Davis 1990; Granovetter 1985) should be encouraged, as it permits the decision maker to consider the welfare of others explicitly in maximizing his/her utility function.

Not only should the pre-business curriculum be broadened to include areas stressing interdependence, but we should adjust the content of our marketing curriculum as well. Our perspective here is similar to the one with which we view globalization issues. Having students take International Marketing does not globalize them; instead, every course should be taught from a global perspective rather than from the ethnocentric domestic one. Analogously, we recommend, at least in the short run, that all marketing courses be "relationized," focusing on relationships more than discrete transactions. Marketing should not be taught as something that the manager does to the buyer (i.e., in Promotion, we impose information and influence on the consumer; in Marketing Research. we covertly extract information from customers). In a relationship environment, we should emphasize 1) information sharing and mechanisms to enhance it. 2) negotiation processes (especially cooperative ones), and 3) conflict resolution processes (and relationship maintenance). Traditionally business courses have treated buyer/seller exchanges as we/them relationships, but the boundary between the company and the environment is becoming blurred (Arndt 1979). More development of interorganizational culture is needed.

THE CHANGING EXPERIENTIAL EMPHASIS

When considering “how” students should learn this broadened framework, we believe that experiential learning offers many benefits. However, the nature of the experience needs to change from one-time experiences (cases and most role-plays) to experiences requiring the development of decision histories and the building of relationships. Cases can deal with relationship issues (though most do not) and can increase student sensitivity to associated concerns but they do not provide an experience base for the student. Ralph Day in his summary comments after the first ABSEL conference in Oklahoma City noted that simulation games are somewhat unique in that they require students to live with past mistakes and, upon occasion, to dig themselves out of a hole. Simulation games also provide a format for interpersonal dynamics when students are placed in small groups to form companies. Moreover, games such as the Market Place (Cadotte 1990) which allow for the development of relationships between firms (manufacturers and wholesalers; manufacturers and transportation companies; etc.) are tar richer stimuli. Embedded in the rich negotiation processes is the opportunity to develop distrust as well as trust, lust as one finds in real-world relationships. “Live cases. - in which student groups conduct survey research or develop promotional material for a local business, also provide insights into relationship development. Over time, the class and the client begin to develop bonds, and these relationships need to be discussed in the debriefing of the project. Role-play exercises that extend beyond one class period can also offer much potential.

In addition to monitoring and grading individual and group outcomes, the educator needs also to focus attention on the relationship quality being observed. Too frequently those of us in Marketing have left the discussion of group dynamics to our colleagues in Organizational Behavior. Just as Kaplan (1984) has called for the existence of marketing relationship consultants who provide preventive maintenance on existing relationships, the instructor should monitor and evaluate the relationships, which she/he observes developing in the pedagogical environment.

To demonstrate more clearly how experiential approaches can develop a stronger relationship perspective, we will discuss one specific application in some details.

USE OF THE MARKET PLACE TO TEACH RELATIONSHIP MARKETING

The Market Place (Cadotte 1 990) is a complex marketing simulation game that extends the marketing environment across levels of the channels of distribution, opening all the complexities of control, bargaining, and cooperation in marketing systems. The game has ABSEL roots, as Keyt and Cadotte (1981) presented its forerunner (CHIPS) at one of the Orlando conferences. The game covers the microcomputer industry, with five distinct market segments, and takes products throughout the entire life cycle. Each game play involves 1 2 teams (six manufacturers and six distributors). Decisions involve product modification, pricing, advertising (including media selection and advertising content), sales promotions, and sales force size and time allocation. A brief discussion of the nature of the play of the game will provide insight as to relationship building. These teams are required to engage in nine to eleven “ploys” during the semester. This number of decisions is sufficient to allow teams to recover from early mistakes -- and find ways to make others. Each play of the game requires that distributors and manufacturers engage in negotiations, which result in a written contract, and no cash nor inventory can be transferred except through a contract.

All courses have settings in a larger context, and experiential learning courses are no exception. Since the instructor has much less control over the course content, some consideration of the course settings is desirable. The Channels course using The Market Place as its cornerstone has several settings. Among those that have a general impact on the course are the educational setting and the social setting. At a more specific level are the economic, financial, and organizational settings.

From an educational standpoint students in the Channels course ought to have a background in the areas of marketing, organizational behavior, finance, accounting, and management science. Folio wing our thesis and the curriculum suggestions made above, the students should also have been exposed to both the Sociology and Political Science course materials. If our suggestions are followed, these concepts would be particularized in their Marketing and Organizational Behavior courses as well. Experiential learning courses are not good vehicles for learning specific subject materials, but they are unexcelled in providing students with the opportunity of “putting it all together.” Thus, the important relational materials would have coequal status with the traditional analytical tools. That the above would be a desirable state of affairs will be made clearer below.

The social setting of the course *is* more complex. Students enrolling in the Channels course are all acquainted with each other, and they are subject to the social norms of the school. Their social position following the completion of the course will be affected by their in-course activities, and they are very conscious of this--especially in a course where they are in adversarial positions. To minimize the effects of pre-course social relationships, to balance the intellectual resources, and to maximize the learning experiences of individual students, we recommend [as do Gentry, Burns. and Fritzsche 1993] that the instructor structure the teams rather than leave this important task to the students.

The economic setting deserves some attention. There are usually six manufacturing teams and six distribution teams--an oligopoly facing an oligopsony. At the start, none of the firms are in existence. With lust six actors on each side of the market, no economist would argue for a minute that in the Market Place world economic relations are guided by an invisible hand. Indeed, the student manual makes very clear at the outset that the firms will engage in negotiations to determine, among other things, the price in each economic time period. The Market Place world is a classic embedded market where socio-political variables will interact in determining the terms and conditions of the exchanges. The Market Place simulation requires the firms to engage in repeated exchanges. The repeated exchanges allow firms to move--if they so desire--along Webster’s (1992) continuum from (1) transactions to (2) repeated transactions to (3) long-term relationships. As Webster (1992) put it, “The marketer must manage three sets of relationships-- with customers, with suppliers, and with resellers.” In this economic and organizational setting, the firms’ management of these interorganizational relationships is crucial to their success.

This, then, is the setting for the Channels course using The Market Place as its centerpiece. Firms with varying amounts of social capital, but with artificially induced exchange utility (Frenzen and Davis 1990) are placed into an embedded market where relational variables will play an important role in their firms' success, which is measured solely in economic terms.

The simulation proceeds as follows. Each firm is presented with identical sets of market research studies. Included are the benefits that the five market segments are seeking in the micro-computers they use in their firms, demand information by segment in each of 20 cities, and media habits for each segment, and the mechanical components available for brand design. Using this information, manufacturers must build a factory (with a sliding investment based on capacity), design two brands targeted at two of the five markets, and produce these brands for sale in the period. Manufacturers produce in one period for sale in the following period(s). Distributors buy in a period for sale in the same or succeeding periods. Using the same information, distribution must open two outlets in two of the 20 cities (with differing costs based on city size) and select two market segments. Distributors and manufacturers are urged to consult with each other before finalizing their initial decisions.

At the end of a period, sales to final users and their reactions to brand design, price, and advertising become public knowledge through market research. In the early periods, teams realize that their resources are totally inadequate, motivating their search for additional funding through venture capitalists. After the cash infusion, brand redesigns, and distributor expansions made possible by the additional equity funding, firms concentrate their efforts on exploiting the opportunities available to them.

Repeated offerings of this course have shown that there are certain phenomena that recur with regularity. Recurrences of a phenomenon of interest illustrates the utility of an experiential learning environment centered on a comprehensive simulation as a vehicle for research. For instance, repeated course offerings have shown that certain manufacturer-distributor dyads find it particularly rewarding to engage in exchange with each other lending anecdotal support for the strong form of Frenzen and Davis' (1990) first hypothesis (restated in Market Place terms): a positive relationship between the strength of a manufacturer-distributor tie and the amount purchased by the distributor. Further, under repeated trials, there is evidence that there are interaction effects between acquisition utility and exchange utility providing anecdotal disconfirmation of their postulate that the two are independent.

There are several more recurring phenomena exhibited by the firms. Three of these are (1) unofficial joint ventures, (2) promise breaking, and (3) development of the relationship orientation. The unofficial mergers are formed, in Frenzenian terms, because of an extraordinary level of exchange utility (we trust them, like them. respect them; together we can win the game; if we go together, it will be easier, less costly, less risky; we have exclusive rights to their brands (stores)). Whatever the reasons for their formation, the dissolution of these dads is very likely. Both parties early conclude that their financial results contradict their initial assumptions about the Market Place world. One possible explanation of the above is that the demand function underlying the market place favors distributors who create wide assortments. Another reason is that designing brands is not an easy task, and the dyad often design brands that their chosen market segments do not favor. At any rate, the break-up is rarely rancorous, and firms continue to make exchanges with each other (though not exclusively).

Each semester there occurs at least one instance of a broken promise. A manufacturers often short distributors. Manufacturers in the Market Place never have enough working capital, particularly in the early periods of the game. On the other side of the market equation are distributors who could sell more product if they could only find a manufacturer to sell units to them. Because manufacturers produce in one period for sale to distributors in the next, the total number of units for sale in any period by distributors is fixed. Typically, a distributor will approach a manufacturer and offer to purchase her entire inventory at prices substantially above those the manufacturer would have received from the distributors to whom he originally promised them. Retribution is often swift and sure--all distributors (except the advantaged one) punish the transgressor by cutting back total purchases, paying lower prices, or cutting back on some other form of cooperative behavior. The distributor(s) who were shorted sometimes refuse to deal with the transgressor for the rest of the game. If the offending students had received some prior training in relational marketing (and the sanctions, which they could expect from transgressions), they likely would not have succumbed to the temptation for short-term gain.

Manufacturers short distributors in another way with equal regularity. They promise delivery only to find that they do not have the working capital to produce the number of units they promised. In this situation, these manufacturers have approached all the distributors to whom they have promised delivery, and explained the problem to them. The manufacturers have then suggested that they will allocate proportionately the number of units, which they are able to produce. The distributors are not happy to be shorted, but they respect and appreciate the efforts of the manufacturer to be equitable. The above situation embodies the concept of equity matching (Fiske 1991). Indeed the exchange utility of these dyads is increased as a result of this behavior (Frenzen and Davis 1990).

Third, when the manufacturers and distributors initially negotiate, the proceedings are quite adversarial. Each party is trying to beat the other. There are few secrets in the Market Place world. The distributors know the manufacturers' production costs, and everyone knows what price range is appealing to the various segments. Thus, both parties know the level of the gross profit that is available to the channel as a whole. The question to be answered is how to divide and share this total. At the beginning of the game, hours are spent in negotiating this issue. Victory belongs to the firm that negotiates the larger share of the available margin. This process makes negotiating an arduous, time-consuming, emotionally draining ordeal--an ordeal that occurs five times each decision. The desire to avoid this ordeal provides the motivation to find a better way. Firms seek to increase their exchange utility by refusing to deal with the most adversarial of the opposing parties. When the firms realize that negotiating the last dollar from the other party does not show up in their income statements, then true negotiation begins. When true negotiation begins, firms realize that the other party in the dyad is truly a partner rather than an adversary. Once they grasp the partnership concept, they begin to cultivate and nurture the relationships with the firms in the other channel level. This is a very valuable concept to learn.

The above illustrations provide evidence for the efficacy of using experiential learning device for integrating traditional business education with the emerging relationship orientation. Because the Channels course with the Market Place as its centerpiece provides an arena, which requires repeated dyadic encounters, students are better able to intellectualize the relationship orientation. Indeed, the usefulness of the Market Place as a vehicle for intellectualizing relationship concepts, and the desirability of evolving a relational orientation in our students may provide an impetus to the development of other comprehensive marketing simulation games around which courses can be organized.

CONCLUSIONS

Cooperation is somewhat foreign to U. S. business, and the current structure of most Marketing curricula is not designed to prepare students for the necessary marketing relationship perspective. A broader pre-business curriculum is recommended, as well as the use of more relationship-oriented experiential learning alternatives. We believe that games such as the Market Place will prepare students well for the business environment of the future. Past ABSEL President Duane Hoover (now a Coors distributor) in an informal session at the Reno conference said that one area of business for which his academic training had not prepared him was the dishonesty encountered when dealing with other firms. A game such as the Market Place offers an environment for such opportunistic behavior to take place and for its implications for marketing relationships to be discussed systematically.

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