

Proposing a Theoretical Linkage of Guanxi and Relationship Marketing

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Abstract

Chinese Guanxi represents one method of developing relationships from the interpersonal level, whereas relationship marketing, largely a western concept, is used to develop relationships at the inter-organizational level. Both concepts are well researched individually but there is a dearth of critical comparison in prior literature, and there is some evidence to suggest that linkages between these two approaches may be useful to managers in improving customer retention. This conceptual paper critically examines the separate concepts of guanxi and relationship marketing, explores the differences between the two approaches, and debates the possibility of useful linkages between the concepts.

Building on a review and synthesis of over 300 academic journals and the works of Geddie, DeFranco and Geddie (2002, 2005) a novel theoretical framework linking the two concepts is proposed, with the managerial implication of such a linkage being developed. The paper is of relevance to academics studying relationship networks and marketing practitioners developing marketing and retention strategies.

Keywords: Relationship Marketing, Guanxi, Networks Relationships, Theoretical Framework, Conceptual

Introduction

Establishing strong and quality relationships with customers is an influential element in doing business worldwide, especially in current complex and highly competitive markets (Ndubisi and Chan, 2005). This article seeks to examine the differences and possible linkages between two important approaches used in building relationships: Guanxi and Relationship Marketing. Guanxi tends to work at the interpersonal level (Fan, 2002; Wang, 2007), whereas relationship marketing tends to be operating at the inter-organizational level (Gummesson, 1996; Morgan and Hunt, 1994; Nicole, Roderick, Peter, and Wesley, 2002).

Guanxi is a Chinese term referring to interpersonal connections that have a significant impact and powerful implications in almost all aspects of relationships (Fan, 2002). Guanxi has been considered as one of the most important success factors in doing business in China and it is believed that having the right guanxi could bring a wide range of benefits (Abramson and Ai, 1999; Fan, 2002; Su and Littlefield, 2001; Yeung and Tung, 1996).

Relationship marketing emerged from the field of services and business to business marketing to challenge the traditional marketing approach which was based completely on

transactions and the notion of the marketing mix (Berry, 1983; Gronroos, 1994; Gummesson, 1987; Jackson, 1985). Accordingly, relationship marketing was designed as a new approach for marketing which is capable of absorbing the dynamics in the customer relationships and interactions (Gronroos, 1994; Kotler, 1991).

By conducting a substantial review of the literature, evidence can be found of some authors like Ambler, (1994), Bjorkman and Kock, (1995), Lovett, Simmons, and Kali, (1999), and Simmons and Munch, (1996) using the terms *guanxi* and relationship marketing interchangeably to express the same meaning in academic research, where they suggest that *guanxi* represents a ‘Chinese version’ of relationship marketing. However, Fan (2002), asserts that this is a misunderstanding, with many fundamental differences between the two approaches.

In addition, although relationship marketing and *guanxi* have been studied extensively and many scholars suggest the importance of a link to transfer *guanxi* from the interpersonal level to the organizational level (Geddie *et al.*, 2002, 2005; Sabine, 2005; Zhang and Zhang, 2006), still to date, there is no model linking these concepts.

In this context, this article attempts to fill these gaps in the body of knowledge through five sections: the *first and second sections* of this article critically discuss the concepts of *guanxi* and relationship marketing; *section three* provides a comprehensive exploration of the similarities and differences between *guanxi* and relationship marketing; *section four* proposes a theoretical framework which links *guanxi* and relationship marketing; and *section five* presents the managerial implications, providing useful insights for both western and non-western practitioners about how *guanxi* can be linked with relationship marketing in their marketing process in order to build customer retention.

Guanxi Background

Guanxi is a “*Chinese cultural phenomenon*” (Fan, 2002, 374) which has multiple meanings more expansive than its English synonyms “relations” or “connections” (Huang, 2008, 468). It could refer to one of three things: (a) relationships existence between persons who share some characteristics, (b) valid and repeated contact between people, and (c) a contact person with not frequent direct communication (Bian, 1994).

Fan (2002, 372) defines *guanxi* “as a process of social interactions that initially involves two individuals *A* and *B*. *A* may or may not have special relationships with *B*. *A* asks *B* for assistance (favour) in finding a solution to a problem. *B* may have the solution at hand, or

more often, has to seek further assistance from other connections, i.e. to start another process”. Many authors support and have utilized Fan’s definition (Chen and Chen, 2004; Luo, 2007; Yang, 1995; Zhang and Zhang, 2006).

In addition, Guanxi is variously conceptualised and has a several important characteristics as shown in table (1)

Table (1): Guanxi Interpretations and Characteristics

Conceptualisations	Characteristics
Social Capital (Butterfield, 1983)	Guanxi is a Social Network (Bjorkman and Kock, 1995)
Reciprocal Exchange (Hwang, 1987)	Guanxi is Transferable (Luo, 2007; Tsang, 1998)
Pre-Existing Relationships (Yang, 1988)	Guanxi is Reciprocal (Luo, 2007)
Relationship (Alston, 1989)	Guanxi is Intangible (Luo, 1997, 2007)
Close-Knit Networks (Yeung and Tung, 1996)	Guanxi is Utilitarian (Luo, 2007)
Interpersonal Connections (Xin and Pearce, 1996)	Guanxi is Personal (Arias, 1998, Wang 2005)
Interpersonal Friendship (Ang and Leong, 2000)	Guanxi is Contextual (Luo, 2007)
Network (Fan, 2002)	Guanxi is Long-Term Oriented (Bjorkman and Kock, 1995)
Tie or Bond (Bian, 2006)	

Source: Developed by authors

Although, guanxi is considered an important factor for doing business in China and is believed to be a necessary condition for achieving business success, it is not felt to be sufficient alone, to make customers buy a company’s products (Tsang, 1998).

Relationship Marketing Background

Relationship marketing has been designed as a marketing approach that presents an alternative to the traditional marketing approach which is capable of absorbing the dynamics in the customer relationships and interactions (Gronroos, 1994; Kotler, 1991)

Berry (1983, 25) defines relationship marketing as “attracting, maintaining and enhancing customer relationships”. This definition introduces relationship marketing as a marketing

paradigm with a “strategic viewpoint”, focuses on the significance of “attracting” new consumers, as a first step in marketing activities (Bruhn, 2003, 10), and also stresses the importance of maintaining or retaining customers (Berry, 1983; De Burca, Brannick, and Meenaghan, 1995).

Gronroos (1990) expands Berry's ideas, stating that relationship marketing aims to find, maintain, and enhance relationships with customers and other partners so that the objectives for the company and customers and all partners will be achieved by mutual exchange and implementation of promises. Moreover, Shani and Chalasani (1992, 34) added that “relationship marketing is an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualised and value-added contacts over a long period of time”.

Furthermore, adopting a relationship marketing approach involves changing the traditional ways of managing marketing at the strategic and tactical level (Gronroos, 1996). One of the important strategic issues in relationship marketing is establishing partnerships and a network to be able to handle the whole service process. At the tactical level, there are three typical elements: seeking direct contact with customers and other stakeholders; building a database covering necessary information about customers and others and developing a customer oriented service system (Gronroos, 1996).

Additionally, relationship marketing stresses the building and management of relationships in a social context (Gronroos, 1994), meaning a change in focus to people and organizations as units of analysis rather than products and firms (Webster, 1992).

The success of relationship marketing as a concept is perhaps explained by the long list of associated benefits: helping to raise the company's market share; increasing the company's profits; retaining customers; increasing loyalty levels; and decreasing many types of costs (Bruhn, 2003; Morgan and Hunt 1994; Oliver, 1999; Reichheld and Sasser, 1990). Rosenberg and Czepiel (1983) argue that the cost of attracting one new consumer is more than five times the cost of retaining one consumer, and Reichheld (1993) also found that profits climb steeply when a firm increases its customer retention rate because the expense of acquiring new customers to replace defecting customer is higher than the cost of retaining existing customers.

A Comparison of Guanxi and Relationship Marketing

Guanxi and relationship marketing are fundamentally different (Fan, 2002, Wang, 2007); however, they still have certain commonalities (Sabine, 2005; Wang, 2007). Whilst several scholars (Arias, 1998; Geddie *et al.*, 2005; Sabine, 2005; Wang, 2007; and Yau, Lee, Chow, Sin, and Tse, 2000) have considered the similarities and differences between guanxi and relationship marketing, analyzed them from various perspectives and addressed certain points as shown later (appendix 1), to our knowledge no paper directly analyses all of these similarities and differences between guanxi and relationship marketing. The next section provides evidence of the major similarities and differences between the guanxi and relationship marketing from the literature, in order to comprehensively understand the possible links between them. Table (2) summarizes the similarities and differences, drawn from the literature, between guanxi and relationship marketing.

Table (2): Summary for the Similarities and Differences between Guanxi and Relationship Marketing

Similarities	Differences
<ul style="list-style-type: none">• Both have the notion of relationship (Alston, 1989; Arias, 1998).• Both have the same goal long-term relationships (Sabine, 2005, Wang, 2007).• Both hold mutual understanding and cooperative behaviour (Wang, 2007)• Both have four shared constructs: bonding, reciprocity, trust, and empathy (Geddie <i>et al.</i>, 2005; Yau <i>et al.</i>, 2000)	<ul style="list-style-type: none">• Strategic vs. Tactical (Arias,1998)• Organizational relationship vs. Individual relationship (Wang, 2007)• Calculative commitment vs. Affective commitment (Sabine,2005)• Morality and social norms vs. Legality and rules (Sabine,2005)• Face-saving vs. Mutuality (Sabine,2005)• Open system vs. Closed system (Atuahene-Gima and Li, 2002; Fukuyama, 1995; Wang, 2007)• RM constructs vs. Guanxi constructs• Explicit promises vs. Implicit promises (Geddie <i>et al.</i>, 2005; Gronroos, 1990)• Transactional basis vs. Relational basis (Sabine,2005)

Source: Developed by authors

Similarities

Guanxi and relationship marketing have several similarities. First, both guanxi and relationship marketing involve the notion of relationship or connection, which is identified as two or more parties bonding (Alston, 1989; Arias, 1998; Sabine, 2005; Xin and pearce, 1996). Second, they possess the same goal which is, maintaining long-term relationships with their partners rather than building relationships based on a single transaction (Sabine, 2005). This is referred to as “long-term orientation” (Wang, 2007, 82), where the exchange partners only focus on the relationship itself, thereby tending to minimise any conflict and create a harmonious environment in order to achieve permanent cooperation (Alston, 1989; Arias, 1998; Xin and Pearce, 1996). Third, as suggested by Wang (2007), guanxi and relationship marketing both hold mutual understanding and cooperative behaviour. Fourth, both guanxi and relationship marketing have shared four constructs, bonding, reciprocity, trust, and empathy (Geddie *et al.*, 2005; Yau *et al.*, 2000) however, fundamental differences considered later in table (3).

Differences

Strategic vs. Tactical

Whilst relationship marketing and guanxi are both concerned with long term relationships (inter-organizational and inter-personal) the focus of the two concepts are different. Relationship marketing has a strategic vision while guanxi focusing on tactical issues.

Many authors (Arias, 1998; Bruhn, 2003; Dwyer and Schurr, 1987; Fredrick, 1992) consider the key feature of relationship marketing to be a *long-term or strategic Vision* since it covers a whole marketing process, where relationship marketing “*involves redefining the business as a provider of services or solutions for the customer, and rethinking the whole process of delivering the service from an integrated process management perspective*” (Arias, 1998, 152).

Whilst guanxi represents a long-term relationship between people, it is mostly focused on *tactical issues* and used to solve current problems only (Arias, 1998). Tactical issues such as getting information on current “market trends”, “business opportunities”, “import regulations”, as well as information on “government policies” (Davies, Leung, Luk, and Wong, 1995, 210-211). Also guanxi yields tactical benefits in respect of securing access to tangible resources in the form of land, labour, electricity, and raw materials for joint ventures as well as resources in the form of rights, such as import licenses, advertisement approval,

local government approvals, and central government approvals (Davies *et al.*, 1995; Dunfee and Warren, 2001; Leung and Yeung, 1995; Luo and Chen, 1997; Tsang, 1998; Yi and Ellis, 2000).

Organizational vs. Individual Relationship

Relationship marketing refers to all types of internal and external relationships an organisation may have (Morgan and Hunt, 1994), thus relationship marketing is impersonal and mainly works at the organizational level (Wang, 2007). Furthermore, exchanging parties in western societies tend to have economic and impersonal involvement in networking, and relational networking is mainly associated with commercial goals.

Guanxi by contrast is typically regarding personal relationships which work at an individual level (Wang, 2007), and guanxi, by definition, is a private personal relationship and a social capital owned by an individual as personal property (Fan, 2002). In addition, guanxi is characterized by affection which plays a key role in maintaining and enhancing the personal relationships and making the impersonal business relationships more personal (Wang, 2007). Also from a business perspective, people who have affection care about each other and treat each other more like friends than just business partners (Wang, 2007).

Arias (1998) supports the notion of the impersonality of relationship marketing and the personality of guanxi, arguing that under the relationship marketing perspective, relationships can be created by symbols, images and brands in organizations (Gummesson, 1996). However, under the guanxi perspective relationship development is limited to social relationships which cannot be embedded in a brand name because of their personal nature. It may be argued that under guanxi, family names act as brand names in this context, however, they do not possess an independent personality distinguishable from the personality of the members of the same family, as product and service brands do (Arias, 1998).

Calculative Commitment vs. Affective Commitment

Regarding the differences between guanxi and relationship marketing in terms of the relational exchange patterns, Sabine (2005, 59) argues that the relational exchange partners in relationship marketing have economic and impersonal involvement in the relationship resulting in “*calculative commitment*” which is the commitment based on cost and benefits. It is argued that customers become more committed to an organization when they believe that more value will be gained from this organization (Mowday, Porter, and Steers, 1982).

Moreover, the relational exchange partners in relationship marketing tend to have more explicit role expectations than in guanxi (Sabine, 2005)

By contrast, the relational exchange partners in guanxi tend to have emotional and individual involvement which leads to affective commitment (Geyskens, Steenkamp, Scheer, and Kumar, 1996). Additionally, exchange partners in guanxi have more implicit role than in relationship marketing and contain reciprocal exchange of favours, mutual protection, and enrichment of social status (Sabine, 2005)

Relationship Marketing Guiding Principles vs. Guanxi Guiding Principles

Concerning the guiding principles and motivations for relational exchange in both guanxi and relationship marketing, the relational behaviours guiding principles for guanxi are “*morality and social norms*” (Arias, 1998, Sabine, 2005, 59); while those of relationship marketing are “*legality and rules*” (Sabine, 2005, 59). Furthermore, the motive of reciprocal behaviour of guanxi is “*face-saving*” whereas that of relationship marketing is to create “*mutuality*” in relationships (Sabine, 2005, 59).

Open vs. Closed System

Wang (2007, 83) asserts that relationship marketing has a “universalistic nature” where the “network is relatively open to any exchange partners as long as one plays by the rules of the game”. This is because in most western societies people can trust each other even though they do not have blood relations and these societies are considered high-trust societies (Fukuyama, 1995).

In contrast, guanxi is a network of social relationships (Ambler, 1994; Bjorkman and Kock, 1995; Davies *et al.*, 1995) often related to a common background such as having studied together, coming from the same locality, having worked together or having family ties (Bjorkman and Kock, 1995). This is because Chinese society is a low-trust culture in which trust is extended only to the immediate or the extended family members, and there is a lack of trust outside of the family (Atuahene-Gima and Li, 2002; Fukuyama, 1995).

Moreover, Chinese culture has a stronger tendency to divide people into different levels of categories and treat them accordingly in terms of ingroup–outgroup boundary (Triandis, 1989). To develop guanxi is to form the basis for a gradual transition from an outsider to an insider so that a long-term close relationship can be built (Haley, Tan, and Haley 1998). Thus, guanxi is highly network-specific, with exclusive circle of members and particularistic

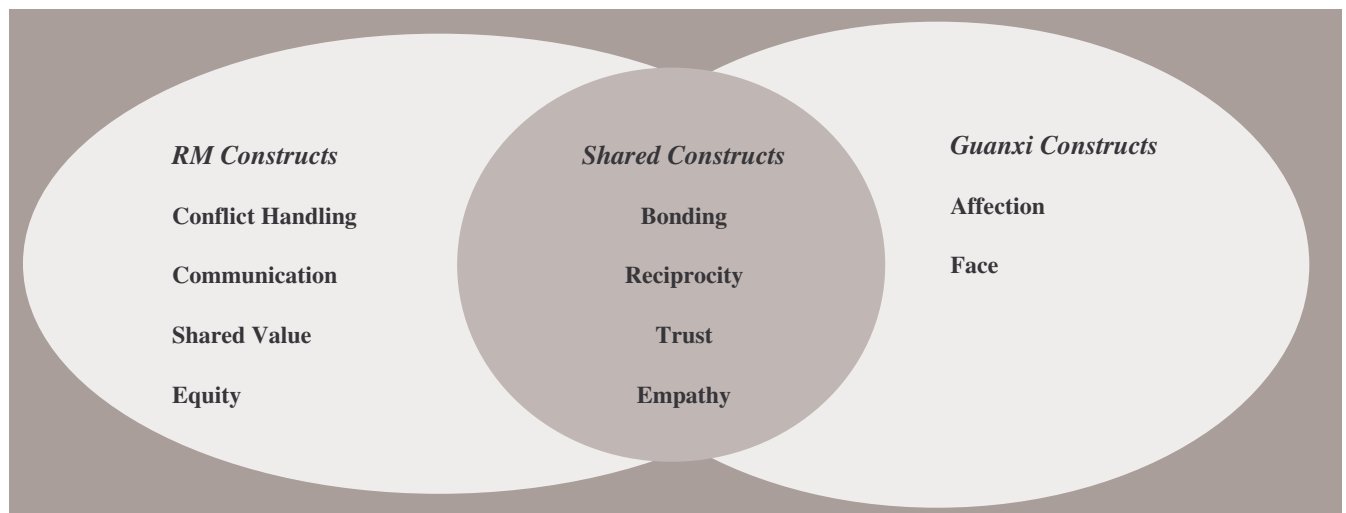
relationships, and does not generalize to members of other social networks. Entering such networks ensures trust building, decision-making, and competitive advantages for network members (Haley *et al.*, 1998).

Relationship Marketing Constructs vs. Guanxi Constructs

Regarding the constructs of guanxi and relationship marketing, Geddie *et al.*, (2005) reviewed 77 articles on the subjects of guanxi and relationship marketing and identified four key constructs shared between guanxi and relationship marketing: bonding, empathy, reciprocity, and trust as shown in figure (1).

Geddie *et al* (2005) and Yau *et al* (2000) indicates that these four dimensions are the basic constructs when discussing guanxi and relationship marketing, and it is necessary and natural to include all four constructs because they are seen as closely integrated in a system

Figure (1): The Shared Constructs between Guanxi and Relationship Marketing



Source: Developed from Yau et al. (2000, 20)

Although it has been argued that guanxi and relationship marketing share four constructs, bonding, trust, reciprocity and empathy (Geddie *et al.*, 2005), they are still considered different (Geddie *et al.*, 2005; Yau *et al.*, 2000) since the contents of these dimensions are ‘fundamentally different’ (Yau *et al.*, 2000). Table (3) shows a comparison between these shared four dimensions.

**Table (3): Comparison of the Shared Four Dimensions between
Western Relationship Marketing and Chinese Guanxi**

Constructs	<i>Western Relationship Marketing</i>	<i>Chinese Guanxi</i>
<i>Bonding</i>	<ul style="list-style-type: none"> • Between consumer and supplier • For desired goal 	<ul style="list-style-type: none"> • Blood bases and social bases • For social control and business behaviour
<i>Reciprocity</i>	<ul style="list-style-type: none"> • Expect value to be returned in short- term • With specific intention • Converged value 	<ul style="list-style-type: none"> • Value returned at time both giver and recipients will benefit • No specific intention • Increased value
<i>Trust</i>	<ul style="list-style-type: none"> • People with promised integrity • Build transaction first, relationship may follow • Based more on the system 	<ul style="list-style-type: none"> • Kinship or in-group members • Build trust first, transaction may follow • Based more on personal contacts
<i>Empathy</i>	<ul style="list-style-type: none"> • Sender-centred communication 	<ul style="list-style-type: none"> • Receiver -centred communication

Source: Yau et al. (2000, 20)

Guanxi Promises vs. Relationship Marketing Promises

Promises are relevant in the concept and practice of western relationship marketing and also in the traditional Chinese guanxi (Arias, 1998).

The content of promises differs totally between relationship marketing and guanxi where, in relationship marketing the “promise concept” is a key variable in building marketing relationships, and the marketing responsibility comprises of both “giving promises” and convincing customers to “keep promises”, which then lead to maintaining and improving the relationship between buyer and seller (Calonius, 1988, 90). Accordingly, in relationship marketing, the promises are often explicit and have an economic nature relating to goods, services, material, financial solutions, exchange of information, and a number of future commitments (Gronroos, 1990). Moreover, suppliers provide promises concerning products, services, information, social responsibilities, and a variety of commitments, and consumers provide some promises relating to their commitment in the relationship with suppliers (Calonius, 1988). These promises should be respected by both the supplier and the customer for the benefits of both sides. Reichheld and Sasser (1990) add that fulfilling these promises is very important to achieving customer satisfaction.

However, promises in guanxi are often implicit, where, Geddie *et al.* (2005) believe that guanxi is established with overtones of unlimited exchange of favours and maintained in the

long run by unspoken commitment to others in the network which means unwritten code of reciprocity and unwritten promises (Mak, 2004). Also, promises in guanxi include more than economic promises, and may include reciprocal personal favours and mutual protection of reputation and social status (Arias, 1998), where “*Chinese frequently return the reciprocation with greater value than what they received before in order to maintain their reputation and also sustain the future relationship*” (Yau *et al.*, 2000, 18-19).

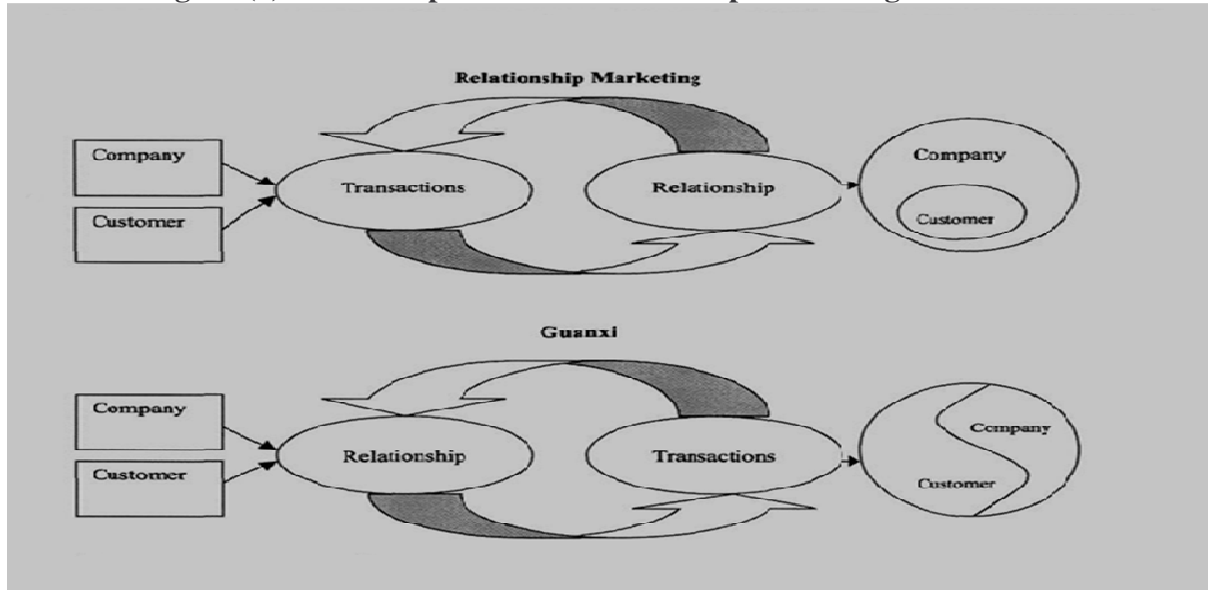
Also the timeframe for fulfilling the promises differs from guanxi to relationship marketing. Promises in relationship marketing usually have a well-defined deadline when they must be fulfilled (Calonius, 1988). On the other hand, in guanxi there is no deadline or time frame for fulfilling promises where favours are banked and create an obligation (promise) of reciprocity (Geddie *et al.*, 2005). “Chinese’s reciprocations return the favors at the appropriate time, which might last into the unforeseeable future” (Xu, 2001, 17). If people within the guanxi network attempt to return the favor immediately, it might destroy their ongoing relationship (Xu, 2001), thus it is a good idea to keep the other party in your debt to maintain a relationship for the long-term (Geddie *et al.*, 2005)

Moreover, it is argued that understanding of needs, priorities, and preferences is required by guanxi because although returning favour for favour is considered a moral obligation, the form and timing of the return requires understanding (Pearce and Robinson, 2000). Furthermore, a person who does not follow a rule of equity and refuses to return favour for favour will lose his face and be defined as untrustworthy (Luo, 1997).

Relationship Marketing Transactional Basis vs. Guanxi Relational Basis

Barton (1999) claims that in relationship marketing the relationship between customer and company develops in stages after the first transaction, with no prior relationship. In the same vein, Garbarino and Johnson (1999) view relationship marketing as a continuum from transactional to highly relational bonds in which they point to the development of satisfaction, trust, and commitment to establish future intentions of the customers. While in guanxi, there is a relationship before the transaction (Geddie *et al.*, 2002, 2005; Sabine, 2005), as shown in figure (2).

Figure (2): The Comparison of Relationship Marketing and Guanxi

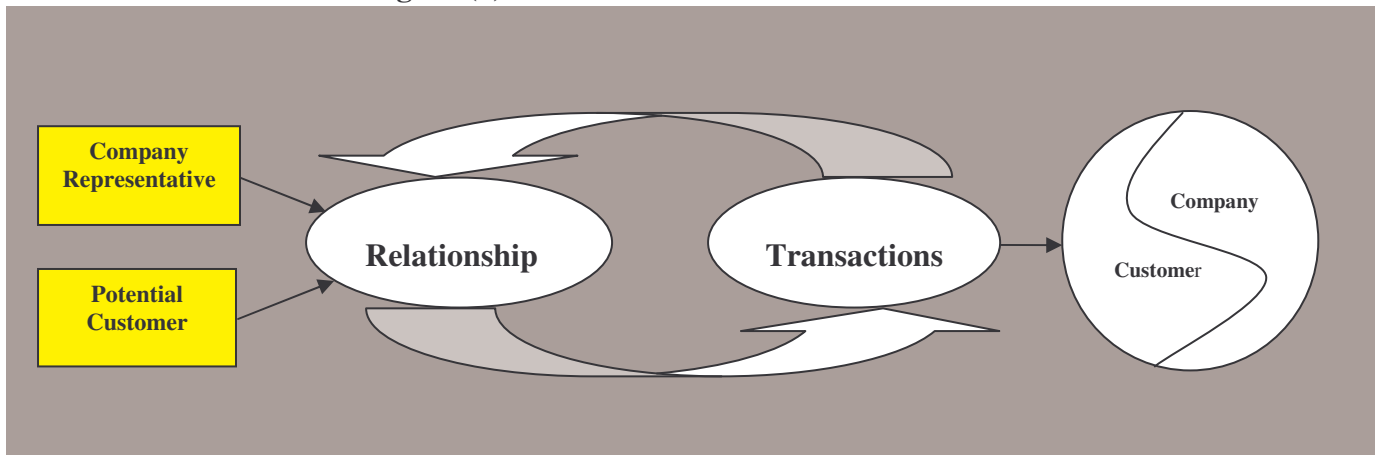


Source: Geddie et al (2005, 628)

In both systems, a good transaction strengthens the relationship in a cyclical manner. Geddie *et al.* (2005) further explains that in relationship marketing, the customer is seen as more of a subset than a merged partner, where the company often tries to help the customers adapt to the company especially by educating them about how to use the product in order to obtain the maximum benefit from it (Bulger, 1999). While in guanxi, the company and customer become one cooperative unit adapting to each other (Geddie *et al.*, 2005).

However, in reality, in guanxi the relationship before transaction is not between *company* and *customer* but actually between *company representative* and *potential customer*. Since, the relationship between them is personal and the transaction has not been done yet, as shown in figure (3).

Figure (3): The Process of Guanxi in Practise



Source: Developed by authors from Geddie et al. (2005, 628).

This relationship between the company representative and the potential customer is considered as a pitfall in guanxi (Arias, 1998). If the person who brought guanxi leaves the organization there is a possibility of losing the organization its connection with the customers because it is common for a person to take his/her personal guanxi connection with him/ her when leaving the organization (Wang, 2007; Arias, 1998). For instance, in the field of retail marketing, when a customer establishes a personal relationship with a salesperson, the customer intention should be related with store loyalty as long as the salesperson remains at that store (Macintosh and Lockshin, 1997). Although this might be a sign for the positive relation, commitment and loyalty to the salesperson, however, it might also lead to customer (and sales) loss if the salesperson leaves the employment of the retailer (Beatty, Mayer, Coleman, Reynolds, and Lee, 1996).

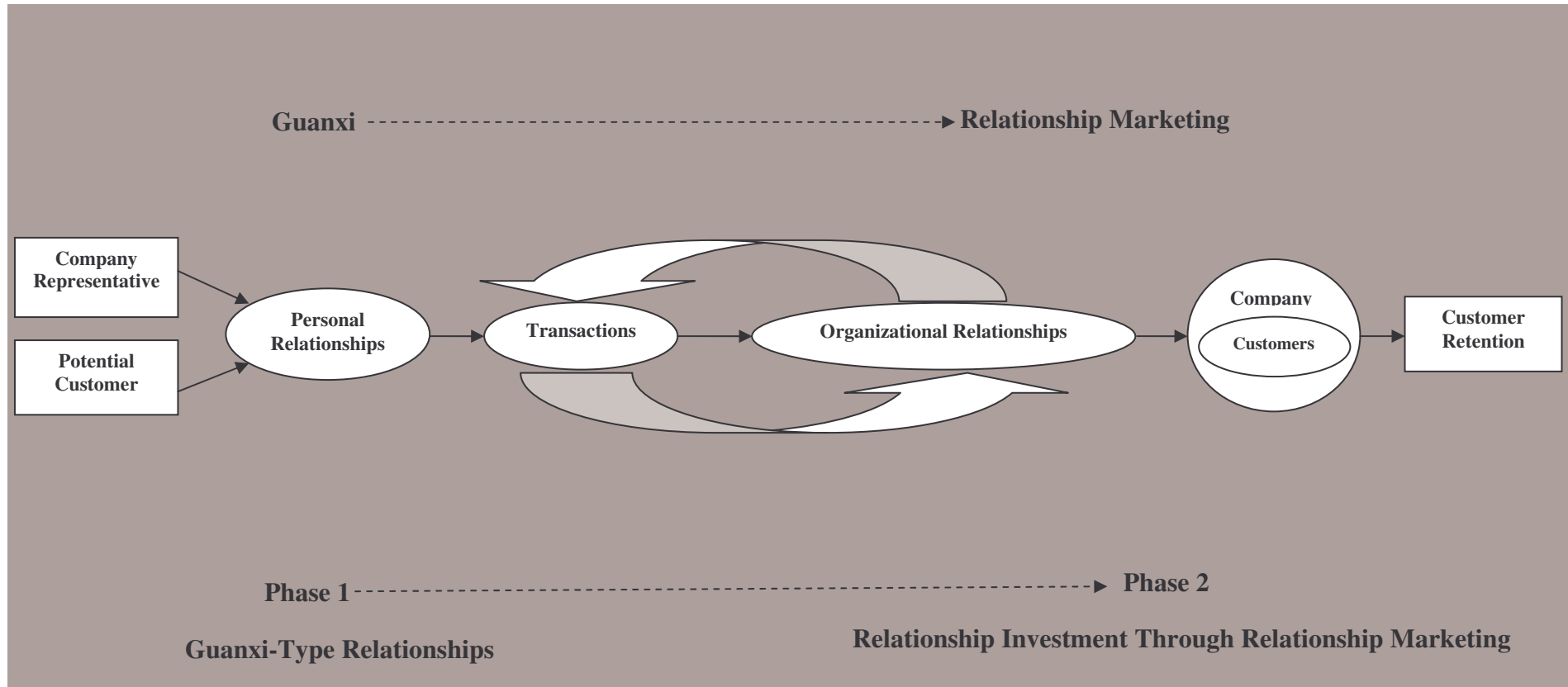
In sum, it could be concluded that guanxi and relationship marketing are not the same (Fan, 2002); they are quite different approaches to building relationships (Geddie *et al.*, 2005). Guanxi has its own unique characteristics distinguishable from relational exchange in the west (Fan, 2002; Lee, Pae, and Wong, 2001; Tsang, 1998).

A Proposed Linkage between Guanxi and Relationship Marketing

The previous discussion revealed that guanxi and relationship marketing are two different concepts, where each of them has its own unique characteristics, benefits and pitfalls (Geddie *et al.*, 2005; Lee, *et al.*, 2001; Tsang, 1998). Founded on prior literature (Geddie *et al.*, 2002, 2005; Sabine, 2005; Tsang, 1998) there is an opportunity to link the two concepts, where relationship marketing is a formal legal contract defined and protected by the institutional framework, and guanxi is an informal interpersonal relationship involving mutual trust which is not stated explicitly in the legal contracts (Zhang and Zhang, 2006).

Accordingly, Figure (4) illustrates a novel proposed model which links guanxi and relationship marketing and their impact on customer retention. Though there are prior works suggesting the link between guanxi and relationship marketing (Bjorkman and Kock, 1995; Geddie *et al.*, 2002, 2005), surprisingly to date, no studies have linked the two concepts, neither a unified model yet exist.

Figure (4): The Proposed Framework for the Link between Guanxi and Relationship Marketing



Source: Developed by authors from Geddie et al. (2005, 628)

This model is built on the facts that relationship marketing by definition is “*attracting*, *maintaining* and *enhancing* customer relationships” (Berry, 1983, 25), and relationship marketing goes beyond the scope of guanxi (Zhang and Zhang, 2006).

Initially, the model assumes that organizations encourage their staff and customers to use their personal guanxi for organizational purposes by rewarding and promoting them through either a commission or bonus (Luo, 1997). In support, Dunfee and Warren (2001) argue that managers can use guanxi to gain access to new customers. Hutchings and Weir (2006) adds that, in China and the Arab world, people prefer to deal with others they already know and build a trust relationship prior to engaging in business.

The relationship between potential customer and the representative of the company (staff or customer) develops before transaction (Yau *et al*, 2000). In support to this, Sabine (2005) argues that relationships create and develop the transactions in societies such as Asia, Africa and the Middle-East. In these societies, successful business transactions are subject to successful established relationships. This confirms that the relationship is built before transactions take place (Geddie *et al*. 2005; Yau *et al*, 2000).

In this case, guanxi is used as a way to attract new potential customers to the organization and achieving the first stand of the definition of relationship marketing and incorporating guanxi into the process of relationship marketing as a novel means of **attracting** new customers.

Next, after attracting potential new customers who then engage in a first transaction, the second step of the proposed model will take place. The organization will start to apply relationship marketing programs with the new customers as a sort of ‘customer relationship investment’. Such programs try to transfer the guanxi personal relationship between the customer and company representative to organizational relationship between the customer and the organization to *maintain* the relationship with customer for long time and *enhance* it. Thus, this step enables organizations to avoid the pitfall of applying guanxi solely, i.e. the possibility of losing the connection with its customers when the person who brought guanxi leaves the organization because the connections might move with him or her (Arias, 1998).

The final result of this link is improving the customer retention. Where, relationship marketing focuses mainly on increasing customers’ retention and recovery before gaining

new consumers (Bruhn, 2003), since customer attraction is considered, between five and ten times, more expensive than customer retention (Gummesson, 1999).

In support, the literature reveals that relationship marketing plays a key role in retaining customers through building trust, affection (Tang, Chou, and Chen, 2008) and commitment with them (Palmatier, Jarvis, Bechkoff, and Kardes, 2009). Tseng (2007) adds that the purposes of relationship marketing programs are to gain the maximal value of customers and keep them, thus contributing to the corporation's long term profit. Also, Doney and Cannon (1997) as well as Palmatier, Gopalakrishna, and Houston (2006) demonstrate that building relationships with customers or other organizations is impacted by relationship marketing programmes. Furthermore, Palmatier *et al.* (2009, 13) prove that relationship marketing programs positively affect customers' "feelings of gratitude" which leads to customer purchase intentions.

Discussion

It is argued that the linkage between relationship marketing and guanxi offers new and valuable insights and benefits for both westerners who are applying relationship marketing only and the non-westerners who are only applying guanxi (Sabine, 2005; Geddie *et al.*, 2005). Relationship marketing could work as an extension for guanxi to avoid some of guanxi pitfalls (Geddie *et al.*, 2005), also guanxi before relationship marketing will make relationship marketing more applicable to the less capitalist economies and adaptable to the non-western culture's characteristics and problems such as lack of trust in some societies (Gilbert and Tsao, 2000; Sabine, 2005). For example, the Chinese prefer to deal with people they know and trust (Sabine, 2005) and both Chinese and Arabian people must have acquired knowledge of their business counterparts and built a trusting relationship prior to engaging in business (Hutchings and Weir, 2006).

There are many benefits behind the joining of the guanxi and relationship marketing concepts. On one hand guanxi is able to offer insights into the means/ways of implementing relationship marketing (Geddie *et al.*, 2002, 2005) and might play a vital role through the process of relationship marketing where; guanxi can be used as a way to attract new potential customers to the organization with little cost (Dunfee and Warren, 2001).

On the other hand, relationship marketing could work as an extension for guanxi to avoid some of the pitfalls associated with this personal business approach (Geddie *et al.*, 2005). For

example, organization can lose its guanxi if an individual moves to a different organization or department because the connections move with him or her (Arias, 1998). Thus applying relationship marketing after guanxi will try to transfer the personal type of relationship involved in guanxi to organizational type of relationship involved in relationship marketing (Zhang and Zhang, 2006), consequently increasing customer retention (Palmatier *et al.*, 2009; Tang *et al.*, 2008; Tseng, 2007).

Limitations and Further Research

This paper is a theoretical and conceptual paper and requires further research empirically test the proposed model linking guanxi and relationship marketing, and investigate the impact of this link on improving customer retention. Also, the proposed model is building on the extant literature and may be refined and modified, as a result of qualitative research, with academics and practitioners in the field of marketing, exploring the relationship between guanxi and relationship marketing. Further, quantitative research could be conducted to measure the association between guanxi and relationship marketing and their impact on customer retention. Research might also consider the effectiveness of relationship marketing programs in keeping customers by transferring personal relationships to organizational relationships.

Managerial Implications

This study presents and interrogates literature on relationship marketing and guanxi. It provides deeper understanding of the two concepts and helps managers to jointly apply the concepts in their organizations by encouraging the staff to use their personal guanxi for organizational purposes. Then, organizations might consider using a system of rewards in order to access personal guanxi networks for organizational benefits (Luo, 1997).

In this case, guanxi would be used, formally, as a novel way of attracting potential new customers to the organization, incorporating guanxi into the process of relationship marketing.

Next, after attracting potential new customers, the organizations' managers could start to apply relationship marketing programs with the new customers in order to build organizational relationships with the customers. Such programs would attempt to transfer the personal guanxi relationship between the customer and employee to organizational relationship between the customer and the organization to maintain the relationship with

customer over the long term, enhancing it. Thus, this step might enable organizations to avoid the pitfall of solely applying guanxi, i.e. the possibility of losing the connection with its customers when the person who brought guanxi leaves the organization (Arias, 1998).

The proposed model also helps managers to reduce their costs by attracting new customer at low cost and maintaining them, where Rosenberg and Czepiel (1983) argue that the cost of attracting one new consumer is more than five times the cost of maintains one loyal consumer.

In addition, the proposed model tries to improve the customer retention as a final result, which offers significant advantages to companies' managers (Bruhn, 2003; Zeithaml, Berry, and Parasuraman, 1996). Boulding, Kalra, Staelin, and Zeithaml (1993) argue that retained customers might encourage their friends and relatives to buy from the company by recommending it to them, and never discourage current or potential clients away from the supplier. This is viewed as word-of-mouth communication which has been proven to have an indirect impact on profits. Thus, word-of-mouth can lead to gaining new customers while attaining current ones, without any direct action from the company.

Finally, the managers should train their staff how to build a bond, and trust with their customer, and how to show the empathy during handling the customers' problems as a way of strength the organizational relationship with the customers, which help to increase the customer bonded to the company (Geddie *et al.*, 2005).

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Appendix 1

Table (1): the Comparison between Guanxi and Relationship Marketing

Criteria	Guanxi	Relationship Marketing
Network Type	Social Network	Business Network
Network Nature	Particularistic	Universalistic
Network Foundation	China and Less Capitalist Economies (Asia, Africa and Middle-East)	In Strongly Capitalist Economies (Western Societies)
Relationship Nature	Personal Relationship	Impersonal Relationship
Relationship Established	By People Only	By Organizations' People, Symbols, Images and Brands
Network Level of working	Individual Level	Organizational Level
Consequence of relationship and transaction	Personal Relationship Leads to Transaction	Satisfactory Transaction Leads to Relationship
Exchange Type	Members Exchange both Favour and Affection	Members Exchange Economics' Nature Things Like Goods, Services, etc...
Exchange Partners' Role Expectations	Implicit Role Expectations	Explicit Role Expectations
Commitment Type	Affective Commitment	Calculative Commitment
Guiding Principles	Morality and Social Norms	Legality and Rules
Relational behaviours	Care and favour	Cooperation
Motives for Reciprocal Behaviours	The Face-Saving	The Mutuality
Promises Type	The Promises are Often Implicit	The Promises are Often Explicit
Dead Line for Fulfilling Promises	There is no Deadline or Time Frame for Fulfilling Promises	There is a Well Defined Deadline for Fulfilling Promises
Customer Position	Company and Customer Become One Cooperative Unit Adapt to Each Other	Customer is Seen as More of a Subset than a Merged Partner and the Company Try to Help the Customer Adapt to the Company
Measure of Customer Expectations and Satisfaction	It is Complex to Measure Customers' Expectations and Levels of Satisfaction for Most of The Promises Given	Customers' Expectations and Levels of Satisfaction for Most of the Promises Given Can be Measure
Importance of Trust Development	Relatively Higher Important in Guanxi Than in Relationship Marketing	Relatively Less Important in Relationship Marketing Than Guanxi

Source: Adapted from (Ambler, 1994; Arias, 1998; Bjorkman and Kock, 1995; Davies et al., 1995; Geddie et al. 2005; Gummesson, 1996; Sabine, 2005; Yau et al, 2000).