Professional Service Firms are Relationship Marketers: But does size matter?

in press
Australasian Marketing Journal

Janet R. McColl-Kennedy, PhD*
Professor of Marketing
UQ Business School, University of Queensland
Brisbane, Queensland 4072, Australia
Tel: 61 7 3365 6673
Email: j.mccoll-kennedy@business.uq.edu.au

Jillian C. Sweeney, PhD
Professor, UWA Business School University of Western Australia
35 Stirling Highway
Crawley, Western Australia 6009
Tel: 61 8 6488 1438
Email: jsweeney@biz.uwa.edu.au

Geoffrey N. Soutar, PhD
Professor, UWA Business School University of Western Australia
Graduate School of Management, University of Western Australia
35 Stirling Highway
Crawley, Western Australia 6009
Tel: 61 8 6488 7885
Email: gsoutar@biz.uwa.edu.au

Claudia Amonini, PhD
Research Associate
UWA Business School, University of Western Australia
35 Stirling Highway
Crawley, Western Australia 6009
Tel: 61 8 6488 2908
Email: camonini@biz.uwa.edu.au

* Please address all correspondence to this author

1

Authors

Janet R. McColl-Kennedy is Professor of Marketing and Director of Research at UQ Business School, University of Queensland, Australia. She has published in *The Leadership Quarterly*, *Industrial Marketing Management*, *Journal of Service Research*, *Journal of Business Research*, and *Journal of Services Marketing*.

Jillian C. Sweeney is a Professor in the UWA Business School University of Western Australia. Her research has been published in *Journal of Retailing, Psychology and Marketing, Journal of Service Research* and *Journal of Services Marketing*.

Geoffrey N. Soutar is Professor UWA Business School, University of Western Australia. His research has been published in *Journal of Consumer Research*, *Journal of International Business Studies*, *Journal of Retailing*, *Decision Sciences*, and *Psychology and Marketing*.

Claudia Amonini is a Research Associate at UWA Business School, University of Western Australia.

Professional Service Firms are Relationship Marketers: But does size matter?

Abstract

There are few research-based insights into professional service firms' (PSFs) contemporary marketing practices. This is unfortunate as the professional services sector is a key contributor to growth in Australian and other economies around the world. As professional services are unique in a number of ways and their operations and marketing activities inextricably intertwined, the present study investigated the extent to which PSFs practice marketing and whether this differs according to size. Depth interviews were held with thirty seven Australian senior managers in four key industries. We examined the extent of relationship marketing, conceptualised at an overall managerial level as well as four sub-practices identified in research by Coviello and colleagues. We found relationship management and interaction marketing were the most common practices, which is consistent with the inseparability concept, and that relationship management and database marketing were more common in larger firms, which is consistent with their relative resource strength.

Keywords: Marketing practices, Professional service firms

Professional Service Firms are Relationship Marketers Too

1. Introduction

Relationship marketing has been suggested to be the new marketing paradigm, replacing the toolkit offered by the four P's (e.g. Webster 1992). While this concept dates back to the bazaars of ancient times, academic focus on the topic has sharpened in the last three decades. Despite the importance of relationship marketing, Coviello et al. (2002) found consumer service providers often used a transactional marketing approach, which was also commonly used by business-to-business service firms. However, little is known about the use and specifically the extent of use of relational or transactional marketing among professional service firms (PSFs) as no prior research has examined this issue in this context. PSFs have been slow to adopt formal marketing strategies and their attitudes towards marketing are mixed (Hodge et al. 1990; Crane 1993; Yavas and Riecken 2001; Barr and McNeilly 2003). Nonetheless, since However, professional services are people-centred, it is likely most PSFs practice some form of relationship marketing, whether they specifically recognise it or not.

Given the unique challenges faced by PSFs, the present study investigated the appropriateness of Coviello et al.'s (1997) four relationship marketing practices in such a context. Further, the study attempted to identify the activities that supported such practices. Such an approach is consistent with Kohli and Jaworski's (1990) approach to measuring market orientation and offers a practical description as to what translates relationship marketing into practice. It is also follows Barr and McNeilly's (2003) suggestion that there is plenty of commentary on what professional service firms should do, but little on what firms are actually doing. The study therefore examined the practices of different types of PSFs, including law, consulting engineering, accounting and finance and marketing and management consulting by addressing two questions:

- To what extent do PSFs undertake various relationship marketing practices and, more specifically, what are the activities that underlie these practices?

- Does the size of a PSF impact on the relative emphasis placed on the relationship marketing practices it undertakes?

Before the study that was undertaken to answer these questions is discussed, an overview of relevant prior research into the services sector and the conceptualisation of marketing practices is provided in the next section.

2. Background

2.1 Service sector growth

The service sector is an important contributor to economic growth (United Nations 2005). Indeed, in some western economies, the service sector accounts for more than 70% of gross domestic product (GDP). For example, services make up approximately 80% of the GDP in the United States, 74% in the United Kingdom, 73% in the Netherlands and 72% in Canada and Australia (Central Intelligence Agency 2004). Business and professional service firms account for a sizeable share of this contribution (e.g. 11% of GDP in the United States (Kirkpatrick 2004) and 15% of GDP in the United Kingdom (United Nations 2005)).

The United Nations Trade and Development Board recently noted that professional services are "one of the fastest growth sectors in economies worldwide, achieving double-digit growth rates" (United Nations 2004, p. 4). This is particularly evident in Australia. In the last decade full-time employment in the business and professional services sector rose 64% compared to 6.5% for the

overall economy during the same period (Department of Industry, Science and Resources and Australian Trade Commission 2001).

Although the focus of professional services has traditionally been on domestic growth, international trade in this sector is mounting. Driven by globalisation and innovative technologies, international trade in professional services has increased from approximately 18% of world trade to 23% in the last two decades (Australian Trade Commission 2006; ABS Catalogue 5302 2006). Professional services have become the fastest growing sector of world trade and, thus, they are a primary source of growth for developed and developing countries (United Nations 2004). Such trends highlight the importance of professional service providers and suggest a need to examine their marketing practices.

2.2 Marketing in professional service firms

Professional service firms are different to many other firms. As Gummesson (1981, p. 108) noted a quarter of a century ago:

> "A professional service is qualified, it is advisory and problem solving, even though it may encompass some routine work for clients. The professionals involved have a common identity, like physicians, lawyers, accountants or engineers and are regulated by traditions and codes of ethics. The service offered, if accepted, involves the professional in taking on assignments for the client and those assignments are themselves the limit of the professional's involvement. Such assignments are not undertaken to merely sell hardware or other services."

In years gone by, many PSFs did not need to market themselves as demand exceeded supply. However, several trends have changed this situation, including:

- More sophisticated and discerning customers, deregulation, increased competition and new technologies (Morgan et al. 1994).

- Clients who no longer seem to hold professionals in high esteem, as can be seen in the number of malpractice suits and a variety of other challenges to professional authority (Herbig and Milewicz 1993).

- Increased competition in local markets and the opening of international markets that offer significant opportunities for smart operators (Australian Trade Commission 2006; ABS Catalogue 5302 2006).

Moreover, professional service firms face unique marketing challenges. Professional services are known to be on the extreme intangibility end of the tangibility spectrum. Their 'product' is the result of many years of specialised study and training and clients have difficulty evaluating these 'products' (Zeithaml 1981). In addition, professional services are complex (in terms of the number of steps involved) and divergent (in terms of the range in the execution at each step) (Hausman 2003). There also seems to be little standardisation in the offerings of many professional services. These factors lead to increased client uncertainty, which means decisions are difficult to make (Morgan et al. 1994; Kotler et al. 2002).   Moreover, adherence to a professional code of ethics and the acceptance of general professional standards means PSFs must also take account of regulatory agencies and other members of their own profession (Kotler et al. 2002).

Professional service providers have often been reported as having a negative view of marketing (e.g. Morgan 1990; Dalkin 1994; Schimmel and Davis 1995; Kotler et al. 2002), largely due to a desire to distance themselves from commercialism. This attitude is derived from a fear that marketing will devalue their business and have a negative impact on customer perceptions and an assumption on their part that marketing is only about selling or advertising (Morgan 1990). Further, although bans on advertising have been lifted or liberalised in some professions (e.g. in the legal market), restrictions on marketing still apply and several commentators have suggested there is an anti-marketing and advertising culture in many PSFs (e.g. Gaedeke and Tootelian 1987; Hodge et al. 1990; Burton 1991; Kotler et al. 2002; Barr and McNeilly 2003). This scepticism about marketing remains because there are relatively few professionals who are trained in marketing and many firms do not employ marketing professionals. Such organisations lack the marketing skills and the time required for the marketing process. Further, many professionals view time spent marketing as "wasted" time as it is deducted from billable hours (Barr and McNeilly 2003; Kotler et al. 2002). Thus, while some PSFs have realised the need to engage in marketing (Hodge et al. 1990; Olson 2005), many are reluctant to take a formal marketing approach (Hodge et al. 1990; Barr and McNeilly 2003).

The differences between PSFs and other service firms, plus the negative views held of marketing by many professional service providers raises questions as to the mechanisms by which positive customer perceptions and behaviours, and ultimately firm outcomes, are generated. Indeed, as professional service processes are inseparable from the provider (Heil 1994), PSFs undoubtedly undertake some form of relationship marketing activity, whether they recognise it as such or not.

Given our focus on relationship marketing, we were interested in identifying the relationship marketing practices PSFs employ and how they are used. The research undertaken by Coviello et

al. (1997, 2002) in developing a classification framework of contemporary marketing practices provided the framework for the present study. They focused on a "new relationship marketing paradigm" and developed a typology of four types of marketing practices that they found was common across a broad range of organisations. Believing that the definition of relationship marketing was too broad and open to interpretation, Coviello et al. (1997) identified three specific components, namely:

- Database marketing, which involves the use of technology-based tools to target and retain customers.

- Interaction marketing, which is based on face to face interpersonal interactions within relationships to create cooperative interactions between buyers and sellers for mutual benefit.

- Network marketing, which focuses on developing interfirm relationships to coordinate activities among multiple parties for mutual benefit.

Firms may also undertake transactional marketing activities, which are used to manage the marketing mix so as to attract and satisfy customers and which sit at the opposite end of the relationship strategy continuum (Grönroos 2000). We term the set of four practices, relationship marketing practices, since transaction marketing refers to a point on the relationship marketing continuum [Footnote 1].

While we understand Coviello et al's (1997) rationale to examine specific aspects of relationship marketing, we also believe that 'relationship marketing and management' should be included as an additional related but distinct approach. Gronroos's (1990) original definition of relationship

marketing implies a managerial component with respect to maintaining and enhancing relationships. This is depicted clearly in the 'ladder of customer loyalty' in which relationship marketing merges and acts synergistically with relationship management over the stages of the relationship, with relationship management becoming dominant in the later, more established stages of the relationship (Lovelock et al. 2004). The importance of managing the relationship is also supported through the concept of service management trinity, that is the interrelationships between marketing management, human resource management and operations management (Lovelock et al., 2007). Grönroos (2007, p43) emphasises that the management of relationship activities is crucial "Although improved communication with customers using planned means of marketing communication is an essential element [of relationship marketing] the management of activities relating to the facilitation, management and everyday handling of the interactions with planning customers may be much more critical to successfully implemented relationship marketing" (bracketed term added). From hereon the term relationship management rather than relationship marketing will be used to refer to this concept [Footnote 2]. Thus the five practices examined in the present study included a broader relationship management concept, which may include a number of management practices, as well as Coviello et al.'s (1997) four relationship marketing sub-practices.

Following Coviello et al.'s (2000, p. 541) call to fully understand "the scope of what is really being practiced" and to "assess actual practices and expand on the detail accorded to the measures for market planning and performance measurement" (p. 543) the present study also sought to examine the *activities* used by PSFs in carrying out these practices. Thus we took an operational approach to understanding PSFs marketing practices, in contrast to Coviello and her colleagues, who discussed principles, such as managerial intent, focus and duration.   Our

approach takes up Kohli and Jaworski's (1990) call to be specific as to how strategies are implemented in practice in order to enhance their managerial relevance.

2.3 Size of firm

Most prior research has suggested small firms are informal and lack strategic orientation (e.g., Pearson and Ellram 1995; Prater and Ghosh 2005). However, although there is some evidence that this informality is a sign of them being pragmatic and flexible in their reactions to customer requirements, rather than a sign of them not understanding strategy (OECD 1997; Kalantaridis 2004). Coviello et al. (2000) examined the differences between larger and smaller firms' marketing practices. While they expected smaller firms to emphasise interaction and network marketing, they found firm size had only a minimal impact on these two practices and suggested small firms' marketing practices may not be very different from those of large firms. However, they suggested further research was needed to better understand this issue.

Given the unique aspects of PSFs, such as their people-centred nature and the nexus between their operations and marketing (Kotler et al. 2002) all PSFs, regardless of size, are likely to practice interaction marketing. However, as smaller firms have fewer resources (e.g. marketing expertise and time), it would seem that smaller PSFs are less likely to practice support activities, such as database marketing and possibly network marketing. Smaller PSFs may also be less formal in their marketing in terms of not having mission, vision statements (Coviello et al. 2000) and strategic plans and may be less likely to have a strategic approach when planning relationships (Gray et al. 2005). Therefore we specifically propose that interaction marketing would be common regardless of firm size (P1), while we expected database and network marketing to be more common in larger firms (P2 and 3). Further, given the developmental

nature of our relationship management component, we propose this will be more evident in larger

firms (P4). These issues were also examined within the present study, which is discussed in the

next section.

3. Method

3.1 Sample and data collection method

A purposive sampling design was adopted since the goal of the research was developmental,

rather than theory testing or statistical generalisation (Neuman, 2000). Thirty seven senior people

who worked in a range of Australian PSFs, including consulting engineers, accountants, lawyers,

financial planners and marketing and management consultants, and who were knowledgeable

about the way their organisations interacted with their clients, were interviewed.. The depth

interviews were conducted in rural and metropolitan locations in three states (Queensland, New

South Wales and Western Australia) with firms that ranged in size from less than ten employees

to more than one thousand employees, although approximately two-thirds of the firms that

participated had less than 50 employees, as can be seen in Table 1, which provides some

summary information about the participating firms.

"take in Table 1"

Depth interviews are an excellent way to obtain insights into the phenomenon of interest as they

provide detailed contextual information that cannot be obtained from survey approaches

(Gwinner et al. 1998). A discussion guide was used for the interviews along the lines suggested

by Minichiello et al. (1995). Following a brief description of the research project, interviews

began with the collection of background information about the organisation, the organisation's

customer base and its culture. After this phase, interviewees were asked about the ways their

firms interact with their customers (unprompted) and were then prompted about the use of

various practices. Relationship marketing was discussed first, followed by Coviello and her

colleagues' (1997, 2002) marketing practices (interaction, database, network and transaction). To

aid discussion, respondents were handed a prompt card on which the definitions shown in Table 1

were listed. Probing statements were used to clarify and explore participants' responses,

especially to help identify the activities used to implement each of the strategies mentioned (e.g.,

"tell me more about that", "what sort of things do you do to implement that", and "what do you

do you mean by that"). Respondents were also encouraged to discuss other marketing activities

the firm undertook.

At the end of the interview, participants were asked for additional comments and for descriptive

information, such as firm size, years of operation and performance. Interviews ranged from 45 to

90 minutes and all of the interviews were audio-taped and transcribed into Microsoft Word to

facilitate subsequent content analysis. Two judges analysed the data to identify evidence of the

various practices. One judge used NVIVO, while the other judge examined the transcripts

manually. The complete list of strategies and practices found is discussed in the findings section.

In assessing the extent of use of the various practices, a classification procedure similar to that

used to analyse critical incidents was employed. The two judges independently categorised the

extent to which each respondent actively used each strategy using a simple four point scale

('don't use at all' (0); 'little use/limited/have in the past, not now' (1); 'moderate use/do a range

of activities/frequent use' (2); and 'high use and do a range of activities' (3)).

It was particularly important in the classification process, that the service provider *demonstrated* behaviours, rather than merely viewing the practice as 'important'. This analytic induction process consisted of repeated careful reading and assessment of the interviews to identify the various behaviours of interest. There were eleven discrepancies of two points or more across the 185 judgments (37 interviews by 5 types of practice), which were resolved through discussion between the judges. Subsequently the evaluations of both judges were averaged. The definitions of the various practices used by the two coders were adopted from Coviello et al. (1997) and are described in Table 2.

"take in Table 2"

Due to the subjective nature of categorisation in qualitative research, inter-judge reliability was assessed through Perreault and Leigh's (1989) index of reliability, which is an improvement over previous inter-judge agreement measures as it takes account of the number of coding categories used. While this index was developed for nominal classification, it is suitable when examining an ordinal scale. Further, the index is more conservative when used with ordinal scales rather than with nominal scales due to the potential for greater overlap between categories (e.g., values of two and three representing moderate to high use). The reliability measure was 0.77 for all strategy types across the 37 service providers. Although Perreault and Leigh (1989) provided no specific guidelines as to what value was acceptable in assessing the reliability of category assignments, they suggested that 0.70 is reasonable for exploratory work, as in the present case.

4. Findings

Professional service firms' use of relationship management is discussed first, followed by an examination of the approach's sub-themes (interaction, network and database marketing), after

which transaction marketing activities are discussed. Definitions for each of these strategies are shown in Table 2.

As a preliminary investigation to our discussion, the formality of marketing in PSFs was examined by asking participants whether their organisations had a mission or vision statement, formal written goals or a strategic plan. Larger firms (50 or more employees) were more likely to have these (92%, 69% and 83% respectively) than were small firms (1 to 10 employees) (17% in each case). As might be expected medium sized firms (11 to 49 employees) were between the two extremes (75%, 75% and 42% respectively).

4.1 Relationship management

Relationship marketing involves establishing, maintaining and enhancing relationships with customers and other partners so the objectives of the parties involved are met (Grönroos 2000). A key aspect of relationship marketing is managing the relationship, with attention to the interface between marketing, human resources and operations management. Relationship management was commonly used by the participating PSFs. Indeed, the majority of firms, irrespective of type or size, spoke about the importance of having a relational, rather than a transactional focus. Many respondents discussed the benefits of relationships. For example:

> *"Relationship marketing is all about Key Client Account Management, we have key clients that we focus on and do not get distracted by other clients (Lawyer, large)*

> *"I look for a long-term recurring work rather than short-term work of any sort. For two reasons, one, you have a client that can then be sold on to, in succession planning and, two, you get to know the client and, the first time through you might struggle with the client, but the next year you might find it easier and therefore recover some of the costs you burn in the first year or so. So the longer you have a client, the more chance that you are going to average your costs out and not lose on them" (Accountant, small)*

"We certainly are trying to gain the trust and establish those long term relationships. That's where we probably pride ourselves in probably being the oldest or second oldest firm here, and perhaps in the region...If they [clients] are going to transfer something over to one of their children, - the opportunity to sit down and go through it with them and tell them the possible ramifications of what they're going to do" (Lawyer, medium).

Further, relationship management was seen as enabling a firm to gain a sustainable competitive advantage by working closely with its clients. This even extended to working in the client's offices, so that services could be tailored to specifically meet needs, making it difficult for the client to leave or for other suppliers to copy the services provided.

"We become part of their business and part of their family, most of the time" (Accountant, medium).

"We have got people actually in their office, So they've got ready access. They just walk to the next door office and we're there, sort of thing. So we're right in there at the 'ground roots'" (Consultant engineer, medium)

Communication, matching staff with the clients' staff, team work and a relationship manager were the most frequently mentioned business-related activities used to foster healthy relationships. Communication activities included *"being open, honest, genuine and friendly when dealing with the client, rather than being 'salesy'"* (Law), as well as proactively informing clients of issues (either relating to the specific work commissioned or to the broader industry) that may impact, or be of value to, the client. The use of face-to-face and one-on-one meetings was seen as important to get a better understanding of clients, particularly at the beginning of a relationship. Relationship managers or partners who take overall responsibility of a team for client relationships were more common in larger firms. Such a person typically took responsibility for the strategic relationship with the client as well as coordinating the operational aspects internally.

In larger organisations in particular, PSFs used a team of employees to service the client, rather than relying on one employee. Such relationships were at various levels of operations and typically consisted of a series of dyadic relationships. As well as helping to better service clients (through a larger base of resources, skills and knowledge), it was particularly important in protecting the longevity of relationships between firms, rather than between individuals, so if a person left, the team would continue. The likelihood of a client contact leaving and having a detrimental effect on the relationship was as relevant for small clients as for large clients, since in the latter case, it seemed more likely a client contact would move for career advancement. Thus, PSFs made efforts to introduce clients to the assigned team, to ensure client information was shared among the team (e.g., through internal briefing sessions) and encouraged relationships at all seniority levels.

> *"…you can't be reliant on one person to, although you have a relationship Partner you put yourself in a very difficult position if that relationship Partner, ever leaves, gets hit by a truck, whatever, goes to a competitor. There's a high likelihood that they'll take that client with them. And that's why we try and make sure that the relationships are at all levels of the organisation across lots of areas" (Lawyer, large)*

> *"…we don't just have one person from us and one person from the client, it's a team…we build it right through… so we build relationships with our equivalents…it's about having lots of links, rather than just one." (Accountant, large)*

> *"Our Regional Operations are where the company has come from… these are branch operations, branch workshops and they, to be honest with you, they deal with both the large, but a whole ratbag full of smaller customers, which I have to say, we don't try to spend a great deal of time analysing. Our primary focus is on larger contracts for engineering and larger contracts for maintenance" (Consultant engineer, large)*

To establish good rapport, PSFs matched their team to the client team through personal aspects (e.g., personality, demographics), seniority and formality (including dress) and did not hesitate to change team members if there was a problem, such as a personality clash. Some of the firms

(mainly the larger firms) also assigned an employee to develop new business or to coordinate and manage the relationship by setting up meetings, addressing client concerns, identifying opportunities or inviting clients to social events. In these cases, a person such as a Relationship Manager, Marketing Manager or Business Developer was employed specifically for the role or a senior staff member was made responsible. The formality and extent of the relationship management activities ranged from casual chats to regular client audits with a formal report and presentation back to the supplier team.

> *"We have relationship Partners designated for each client... or the most senior person doing the work, so when they have a problem or whatever, they have got their relationship partner to talk to and I think clients find that of value, because, someone who they have a relationship with, they can be obviously a bit more candid and honest to talk with them about what they expect and what they were hoping for and so forth." (Lawyer, large)*

> *"Even though we are small, we have a guy who is full time doing the marketing and prospecting for business, networking …the next step in the process is he will introduce myself or one of the other technical guys,… we take over the relationship… and then he will step aside." (Accountant, medium)*

In addition to teams and the relationship manager, the method of managing clients differed somewhat according to the size of PSFs. While many service firms had various tiers of clients categorised in terms of profitability, size or development (i.e. new or established client), the larger firms were more likely to formalise this. Larger firms appeared more focused on larger or more profitable clients, minimising contact with the smaller less profitable potential clients.

> *"When I look at my clients, they are all the same so I have to give them all the same sort of service. That's important. They are all in the same category. Because there aren't enough of them to say, A, B, C or D's. And even if they are big or small, it doesn't matter. That's the disadvantage of talking to me in a small firm" (Management consultant, small)".*

".. the way that we tend to structure things, on, you know what we consider to be significant relationships, , is that we'll have allocated, particularly for the top two hundred, although I think we're about to do it for the top five hundred, clients, each one has allocated a relationship Partner" (Lawyer, large).

"I think we have five tiers of customers. Our tier one clients, are those who are critical to our revenue and profitability, and they would be mil- half million dollar plus clients. …and tier five is pretty much the clients that are not really that worth while in terms in terms of our revenue and profitability but, you know they just bubble along, but we could just give them to some of our more junior staff…smaller jobs, that sort of thing" (Management consultant, medium).

An analysis of the use of relationship management practices based on our judging procedure indicated that relationship management was more prevalent in larger firms. The difference, analysed using a non-parametric approach, was significant across firm size (p<0.01). As can be seen in Table 3, larger firms were more likely to use this type of activity.

"take in Table 3"

4. 2 Relationship marketing sub strategies

We also specifically assessed the extent to which and the way in which firms practice the four aspects or sub-strategies of relationship marketing identified by Coviello et al. (1997, 2002).

4.2.1 Interaction marketing

Coviello and her colleagues (1997; 2002) described interaction marketing as face-to-face interpersonal interactions within relationships (i.e. based on social exchange) to create cooperative interaction between buyers and sellers for mutual benefits and this is the definition adopted in the present study (as shown in Table 1). Interaction marketing has been recognised as the dominant marketing function within relationship marketing (Grönroos 2000), which is consistent with researchers who have discussed relationship marketing from a social exchange

perspective (e.g., Anderson and Narus 1990; Wathne et al. 2001; Wilson and Jantrania 1995). For most of the PSFs, this included developing a personal relationship with the client that went beyond work or business matters. Social interactions included invitations to social, theatrical and sporting events, with some of the larger firms investing in corporate boxes, although casual interactions, such as lunch, dinner or drinks, were also common. Again, there was a matching of client to professional in such social interactions. Several interviewees stressed that the event chosen had to reflect the image and positioning of the company or would depend on the formality of the client. For example,

> *"It probably steps a bit further than business relationship…It becomes a close personal relationship. With their wives' birthdays I'd send their wife a birthday card, we send flowers if they have babies… and things like that." (Management consultant, medium)*

> *"If you are a client of ours, we will keep you entertained with the right level type activities…we will take you along to see the latest philharmonic or off to see the ballet, or take you to the football, or something, that kind of stuff. We aren't going to take you off to see the Kwinana speedway or something like that." (Accountant, large)*

> *"Yes, we have a footy box. Our sponsorship with XXXX gives us tickets to the Symphony Orchestra and we take clients to that. We have special events. We had one again last Thursday in Perth… A bit grandiose! Flew over James Morrison and took 500 people up to King's Park and basically fed and watered them for three or four hours. So we very much do that sort of thing. And they expect it. We are trying to do less of it" (Lawyer, large).*

At a minimum, the focus was on developing a friendly 'professional' interaction style, although many talked about interacting with their clients on a 'personal' level, such as by having one-on-one communication, conversing on topics other than business and generally spending time with clients outside work, as well as inviting clients (and sometimes family members) to social or sporting events. Subsequently, most described their relationships as informal and relied on the phone, email and/or face-to-face contact, although the latter approach was identified as probably the most important and powerful way to establish strong relationships.

> *"I treat customers as friends, like a personal relationship, so I inquire after a wife or spouse. I go about getting to know them well. " (Consulting engineer, small)*

> *"We have a large client, we went up there for a function they had and they invited us back to one of the director's house for breakfast the next morning. It is that sort of relationship of trust and knowing they can talk to us 24 hours a day, if they need to." (Accountant, medium)*

> *"We have quite a lot of social activities organized. We try to keep our clients involved very much in our social activities to try to build up personal relationships with them...we have got a box at the cricket. We have got a box at the basketball...apart from sporting things, we have got a company boat...which we take people on cruises and things like that." (Consulting engineer, large)*

The emphasis on informal and personal relationships was found across all sizes and types of professional service providers. However, a number of the larger PSFs interviewed also interacted with their clients on a more formal basis, such as through the use of company newsletters and annual functions (e.g., cocktail parties). The smaller firms tended to not engage in these more formal activities, mainly due to the time, human resources and financial costs involved.

It is important to note that, in all cases, even though the providers preferred personal and informal interactions, they indicated that the style and frequency of interaction used was driven by the client. For example, those with government clients, or those who won work based on competitive tenders, tended to engage in formal interactions that would be seen as 'above board'. In other words, some clients (particularly government) may view informal meetings, invitations to social events and the like as *"bribery"* or *'improper'* behaviour. In addition, while most respondents preferred face-to-face interactions (rather than email or phone), the key form of communication and frequency of contact depended heavily on the customer's choice, availability and/or requirements. For example, formal documents, such as proposals, reports and legal

documents, tended to be written and emailed or posted. In spite of the level of formality, in all

cases, establishing and developing a relationship was seen as crucially important.

> *"Well wherever possible we go and see people. A lot of our work is on competitive tender though and you can't go and have a chat to them, because that would be improper. But wherever possible we try to make sure that a business relationship is also a personal relationship." (Marketing consultant, medium)*

> *"We like to do most of our client contact if we can, face-to-face, and particularly in the regional sites. If you're [a client] in a mine that's three hours out of XXXXXX, you probably haven't seen any of our competitors recently. And just the fact that someone's gone to the trouble of driving – flying to XXXXXX, then driving three hours out there and just dropping in and saying 'how are you going? What's going on? Here's what we are doing.' This is a big plus for us and can keep relationships strong. Even if we only do it two or three times a year, it's very important. " (Consulting engineer, large)*

Interaction marketing was central to PSF marketing, with activities including proactive and

regular communication, the encouragement of one-on-one meetings and interactions with clients

on a social basis. Although related, interaction marketing and relationship marketing are distinct

approaches, with interaction marketing being the dominant marketing function of relationship

marketing. Interaction marketing was the most widely practiced sub-strategy used and this was

consistent across firms of varying sizes. No firm size differences were found in this case (as can

be seen in Table 3).

4.2.2 Network marketing

As was outlined in Table 1, network marketing is concerned with "developing interfirm

relationships to allow for coordination of activities among multiple parties for mutual benefit"

(Coviello et al. 2002, p. 34). Relationships may be with customers, distributors, suppliers,

competitors among others (Coviello et al., 1997). Interaction marketing can be argued as a

specific case of network marketing (i.e. customer relationships). In the present study, it was

evident firms networked with potential clients through professional and business associations and similar activities. Once clients were established, networking included using the provider's network of firms to extend the range of client options, such as introducing clients to other branches that offer different services or to other companies (by way of a formal or informal affiliation). While formal networking was limited in small firms due to resources, the development of informal networks appeared particularly important in regional areas, where firms are typically small, in order to develop a referral network.

> *"Very involved in the professional associations... we are forming strong relationships with a number of organisations - other big similar companies throughout the country and overseas." (Consulting engineer, large)*

> *"We add value by leveraging the experiences of other people in the group. We can actually bring in resource capability from other offices to work with us to meet those client needs. We've done that successfully on several projects. This is at no extra cost." (Marketing consultant, medium)*

> *"Network marketing is very much, it is a big focus for me... it is all about facilitating relationship building for the firm on behalf of the partners...we are a sponsor of a number of networking chambers; the Chamber of Commerce and Industry.... one of the benefits is your signage will be up on the wall, the MC will be mentioning [our firm name] and here is the best part of all, before the event, in fact, yesterday, I got the list of every single person who is attending that event, some 250 people' (Accountant, large)*

> *"We are too busy to engage in much [network marketing, we should do more of that but it's a matter of time, and cost, of course" (Management consultant, medium)*

> *"In a country location network marketing is more effective, because people do know you, they know your personality; they know what services you're offering at a much better level than you would here in the city.. I think looking at it from a client's point of view; if you've got one lawyer saying, "Look I don't deal in that area of Law, you go and see so and so, because I know that they do that area of Law and they are very good in that area of Law" (Lawyer, small)*

Network marketing was the second most widely reported sub-practice conducted within the firms included in the present study. As with interaction marketing, no differences were found with network marketing activities across firms of different sizes (Table 3).

4.2.3 Database marketing

Database marketing is a tool to manage customer relationships that supports relationship management. Few PSFs used database marketing, although databases were used for billing purposes and, sometimes, to provide specific clients with information or promotional material relevant to them or to invite them to events. There were several reasons for the minimal use of database marketing. First, there was a general stigma attached to database marketing, which was seen as being akin to mass mailing and the junk mail used by many retailers. Second, many felt technology-based tools suggested an impersonal approach that was inappropriate as PSFs should try to develop close personal relationships with clients. Third, there was a 'hassle' factor as many felt database marketing required considerable resources and time and were too difficult to set-up and manage. As a consequence, and as can be seen in Table 3, database marketing appeared to be used mostly by larger firms.

> *"I went to a huge amount of time and effort and expense to set up a really good detailed database, stratifying the clients and everything else and found that there was way too much work to do, to want to do any marketing with it...we can't do the work we've got!" (Accountant, small)*

> *"We don't have a separate marketing database, and right at this point in time I wouldn't support one. We started to go down the CRM path, and realised that because of the complexity of the relationships that we have with some of our clients; you know the number of lawyers it was just all going to be a nightmare to run two different databases…ultimately, we want one which you could update…address details for example…profiling segmentation...client service plans. Who are we inviting to events?"(Accountant, large)*

"So I think what deters us from database marketing is just we're inherently a conservative organisation. And we're concerned that every communication that we make using a database contact is a valuable contact. So I'd rather send one e-mail - what I like to do is one mail or one brochure every six months and make it valuable, than send one every month and to be frank 'have it full of crap'. It's not of any value to clients" (Consulting engineer, large).

"Yes, I mean we have one product which we sell through Data Base Marketing and that is called an omnibus Product. So we certainly use data base for that, and we do classify businesses according to the segments that we're trying to attract with that particular product…. and the use of things like 'sending out Christmas cards' and yes - inviting clients to events. But we don't use it as a real marketing tool at the moment" (Management consultant, medium)

Only one of the firms said that they invested a lot in a sophisticated database package.

"We are very focused on that. …It is a database that cost many millions of dollars to implement … and it is supposed to be able to give you anything you want on a client, right down to what is their spouse's name, what is his hobby, what is his handicap at golf, you know, right down to the nitty gritty, including the positions of the various decision-makers in the various firms." (Accountant, large)

Database marketing, although little used overall compared to interaction and database marketing, was significantly more likely to occur in larger firms ($p < 0.05$), which is consistent with these findings.

4.3 Transaction marketing

Only a few firms practiced transaction marketing, which can be defined as managing the market mix to attract and satisfy customers in typically discrete (on-off) exchanges (Coviello et al. 1997; 2002). Transaction marketing is also known as 'order taking' marketing. If used, it tended to be a by-product of a PSF's business. For example, a PSF might take on one-off activities, such as a business merger, a one-off legal need in the case of a small company or a one-off tax need. No differences were found in transactional marketing activities in terms of firm size.

"...there are certain services, particularly tax services where someone may have a particular need... you know, they might be going for a research and development grant and so we can provide our service, well we basically do the whole lot for you.., we do a lot of that sort of non-annuity work...sort of one-off stuff." (Accountant, large)

"The majority of our work would be 'one off' Conveyancing type transactions. Or 'one off' Family Law type transactions. Or 'one off' pleas before a Court. But it's not like having a client who - we have some but not a lot - who every month you're going to do something for." (Lawyer, medium)

"Relationship marketing is what we try to do. There are the odd single transaction activities. … we're starting to investigate the international market… the joint venture was quite successful in a number of areas and one of the parent companies sort of turned over an extra part of it's business to us, and said, "Right you can now do this internationally." Which is great, but we are unable to resource anything more than a couple of 'one offs' at the moment" (Consulting engineer, large).

Overall, transaction marketing was hardly used and, further, this finding was consistent across all the firms, regardless of size.

5. Conclusions

The present study examined the popularity of relationship marketing practices within Australia's PSFs. There is a clear need for such research given the significant increase in the contribution PSFs make to the Australian economy as well as to its exports (Australian Trade Commission 2006; ABS Catalogue 5302 2006). Previous researchers have found PSFs are reluctant to be involved in marketing for a number of reasons, including a lack of skills and time, as well as a tendency to consider marketing as equivalent to advertising, despite bans on advertising being lifted some time ago.   The current study sought to investigate PSFs' marketing practices using the four categories suggested by Coviello and her colleagues (i.e. interaction, database, network and transaction marketing), by examining the range of activities involved in such practices. Given the expected greater importance of the management of activities associated with the relationship,

as well as the interaction itself, a relationship management component, defined in terms of both and marketing and managing a long term relationship (Grönroos 2007), was also included. The paper also answered the call made by Coviello and her colleagues (2000) to develop a full understanding of the scope of actual practice. The practices were also explored in relation to firm size as Coviello et al. (2000) found many similarities in marketing practices across a broad range of firms of different sizes, but urged further research into the impact firm size in this context.

Thirty seven in-depth interviews were conducted with a series of professional service providers from four industries (lawyers, accountants or financial planners, marketing or management consultants and consulting engineers) across Australia, with a third of the interviews being undertaken in rural areas. The research found that interaction marketing was common practice across all of the firms irrespective of size and type, consistent with proposition 1, while database marketing and network marketing were less common and transaction marketing little used.. This is in contrast to Coviello et al.'s (2002, 2006) results that suggested transaction marketing was almost as common in small tourism firms and business to business services. Further, our findings supported proposition 4, as larger PSFs were more likely to practice relationship management, which was seen, for example, in the way they tiered clients and managed a series of dyadic interrelationships between provider and client at different levels of the organisation. We concur with Kalantaridis (2004) that smaller firms can be described as more flexible in their approach to clients.

Larger firms were also more likely to practice database marketing than were smaller firms, due to the significant resources required and, indeed, many smaller firms felt sending personal emails to targeted clients as needed was appropriate to their situations. Thus proposition 2, which was

based on limited prior research, that larger firms were more likely than smaller firms to use relationship database marketing, was supported

Our findings were, therefore, largely consistent with our expectations, with the exception of network marketing, which smaller firms used as much, if not more, than larger firms. Hence proposition 3 was not supported. No doubt, smaller firms often operated within a close network of other small firms. Indeed, this was particularly apparent in regional areas, where referral networks of small firms were evident.

 A closer analysis of the interview transcripts showed organisations that actively managed their relationships also practiced interaction marketing, as interaction marketing is fundamental to relationships. Indeed, we suggest it is this interaction component that has been practiced since ancient times, not relationship management as we defined it in the present study. Thus, organisations that act to manage their relationships also practice interaction marketing. However, the reverse is not true as organisations may well practice interaction marketing without formally or consciously managing the relationship. The results also suggest that database, network marketing and transaction are peripheral support activities. Thus we agree with Coviello et al.'s (1997, 2002) pluralism view that practices do not act in isolation. However, interaction must be an aspect of any pluralistic practice, as it the cornerstone of relationship marketing (Grönroos 2000).

Within each practice we identified a range of activities. Interaction marketing, for example, included developing personal contacts, being available or accessible to clients, providing information and social interactions outside work, including concert, sport and family related activities. Similar multiple themes were identified in the other practices. Themes within

relationship management, as defined in the present study, related to enabling activities involved in managing relationships such as matching clients' and providers' teams, categorising clients into tiers, working through a relationship manager and managing succession in the event that the individual representing the client firm leaves. This concept is of course related to Key Account Management, a core component of Customer Relationship Management (Hughes et al., 2004).

5.1 Practical implications

Relationship marketing is at the core of PSFs' activities whether they recognise it or not. While traditional relationship marketing activities, viewed in terms of interactions with customers was fundamental, managerial activities that recognises the interdependency of marketing, operations and human resource management, as suggested by the service management trinity (Lovelock et al., 2007) was evident, particularly in larger firms. Furthermore, database, network marketing and transaction marketing appeared as supporting activities, rather than marketing approaches in their own right. Clearly, PSFs should no longer be hesitant to acknowledge that marketing practices are important to their firms achieving their business goals. Rather, they should recognise the important role that various aspects relationship marketing play in their respective businesses and aim to increase their knowledge and skills in relationship marketing activities. In addition, they should explore the potential usefulness of database marketing, especially if they are a medium to large organisation.

5.2 Limitations and future research

Although beyond the scope of the present study, a fruitful area for future research would be to develop and test scales that measured the activities of the various practices. Such a direction is consistent with the present findings, as well as with Coviello et al.'s (2000) call to pay attention

to the detail accorded to measures of actual practices, for future use in market planning measurement and modelling. The present study showed PSFs use a variety of marketing activities and the pattern of use needs to be examined quantitatively. It is likely that the appropriateness of the various practices will vary depending on situational factors, such as geographical location and the level and nature of competition (Kohli and Jaworski 1990). Further, Bharadwaj et al. (1993) argued that service specific factors may moderate the strategy-performance relationship (e.g. the salience of experience and credence attributes and the extent of service interaction with customers). Such investigations may suggest when specific strategies are likely to be most useful in enhancing firm performance. An understanding of the moderating conditions under which various strategies are most effective would advance our knowledge of the appropriateness of the various practices, while also being managerially useful to PSFs.

FOOTNOTES

1   We note that Coviello et al. (2001; 2006) subsequently introduced e-marketing into their typology. The theme of e-marketing, which concerns IT-enabled dialogue, was not specifically raised in the interviews as a way of practicing marketing in the professional service context, beyond traditional communication such as emails and use of databases (another facet of marketing practice). However, we recognise that the increase in international trade in the context of professional services may mean e-marketing is likely to be an important practice in the future.

2   We view this as a specific form of management. We wish to avoid confusion with the term 'relationship marketing', which has been noted as a "catch-all" phrase with many interpretations (Coviello et al., 1997).

References

Anderson, J. C., Narus, J. A., 1990. A model of distributor firm and manufacturing firm working relationships. Journal of Marketing 54 (January), 42-58.

Australian Trade Commission, 2006. *Business and professional services capability overview*. Retrieved 10 February, 2006, from http://www.austrade.gov.au/overseas/layout/0,,0_s3-1_3zo-2_-3_PWB110706481-4_-5_-6_-7_,00.html

Bagozzi, R. P., 1975. Marketing as exchange. Journal of Marketing 39 (October), 32-39.

Barr, T. F., McNeilly, K. M., 2003. Marketing: Is it still "Just advertising"? The experiences of accounting firms as a guide for other professional service firms. The Journal of Services Marketing 17 (6/7), 713-727.

Bharadwaj, S. G., Varadarajan, P. R., Fahy, J., 1993. Sustainable competitive advantage in service industries: A conceptual model and research propositions. Journal of Marketing 57 (October), 83-99.

Burton, G. E., 1991. Attitudes toward the advertising by lawyers, doctors, and CPA's. Journal of Professional Services Marketing 8 (1), 115-127.

Central Intelligence Agency, 2004. *The World Factbook*. Retrieved 21 February, 2006 from www.odci.gov/cia/publications/factbook.

Coviello, N. E., Brodie, R. J., Danaher, P. J., Johnston, W. J., 2002. How firms relate to their markets: An empirical study of contemporary marketing practices. Journal of Marketing 66 (July), 33-46.

Coviello, N. E., Brodie, R. J., Munro, H. J., 2000. An investigation of marketing practice by firm size. Journal of Business Venturing 15 (5/6), 523-545.

Coviello, N. E., Brodie, R. J., Munro, H. J., 1997. Understanding contemporary marketing: Development of a classification scheme. Journal of Marketing Management 13, 501-522.

Coviello, N. E., Milley, R., Marcoolin, B., 2001. Understanding IT-enabled interactivity in contemporary marketing. Journal of Interactive Marketing 15 (4), 18-33.

Crane, F. G., 1993. Professional services marketing in the future: Challenges and solutions. Journal of Professional Services Marketing 9 (1), 3-12.

Dalkin, J. R., 1994. Professional tax service marketing from a consumer buyer behavior perspective. Journal of Professional Services Marketing 10 (2), 169-180.

Day, G. S., Montgomery, D. B., 1999. Charting new directions for marketing. Journal of Marketing 63 (Special Issue), 3-13.

Department of Industry, Science and Resources and Austrade, 2001. Creating value by transforming knowledge: Australia's business and professional service sector. Retrieved 10 February, 2006, from http://www.isr.gov.au/assets/documents/itrinternet/BPS1.pdf?CFID=10979168andCFTO KEN=32216166

Gaedeke, R. M., Tootelian, D. H., 1987. The promotion of legal services: Business executives' and attorneys' perceptions. Journal of Professional Services Marketing 3 (1/2), 275-285.

Gray, C., Mabey, C., 2005. Management development: Key differences between small and large businesses in Europe International Small Business Journal 23 (5), 467-.

Grönroos, C., 1990. Service Management and Marketing: Managing the Moments of Truth in Service Competition, Lexington, Massachusetts, Lexington Books.

Grönroos, C., 2007. Service Management and Marketing: Customer Management in Service Competition (Third ed.), Chichester, John Wiley & Sons.

Gummesson, E., 1981. The marketing of professional services. In Donnelly, J. H., George, W. R., (Eds.), Marketing Services. Chicago: American Marketing Association, pp.108-112

Gwinner, K. P., Gremler, D. D., Bitner, M. J., 1998. Relational benefits in services industries: The customer's perspective. Journal of the Academy of Marketing Science 26 (Spring), 101-114.

Hausman, A. V., 2003. Professional service relationships: A multi-context study of factors impacting satisfaction, re-patronization, and recommendations. The Journal of Services Marketing 17 (2/3), 226-242.

Herbig, P. A., Milewicz, J. C., 1993. Market signaling in the professional services. Journal of Professional Services Marketing 8 (2), 65-80.

Heil, M. C., 1994. Professional service firm marketing - the next generation: Quality oriented service, results driven strategy. Journal of Professional Services Marketing 10 (2), 5-18.

Hodge, T. G., Brown, M. H., Lumpkin, J. R., 1990. The use of marketing plans and advertising among accounting firms: Is this profession a viable candidate for marketing? Journal of Professional Services Marketing 6 (1), 43-52.

Hughes, T., Foss, B., Stone, M., Cheverton, P. J., 2004. Key account management in financial services: An outline research agenda. Journal of Financial Services Marketing 9 (4), 184-193.

Kalantaridis, C., 2004. Internationalization, strategic behavior, and the small firm: A comparative investigation. Journal of Small Business Management 42 (3), 245-252.

Kirkpatrick, D., 2004. Inside Sam's $100 billion growth machine. Fortune (June 14), 86.

Kohli, A., K., Jaworski, B. J., 1990. Market orientation: The construct, research propositions and managerial implications. Journal of Marketing 54 (April), 1-18.

Kotler, P., Hayes, T., Bloom, P. N., 2002. Marketing Professional Services, Paramus, NJ, Prentice Hall Press.

Lovelock, C. H., Patterson, P. G., Walker, R. H., 2004. Services marketing: An Asia pacific perspective (Third ed.), Sydney, Prentice Hall Australia Pty Ltd.

Lovelock, C. H., Patterson, P. G., Walker, R. H., 2007. Services Marketing: An Asia-Pacific Perspective (Fourth ed.), Sydney, Pearson Education Australia.

Minichiello, V., Aroni, R., Timewell, E., Alexander, L., 1995. In-depth Interviewing: Principles, Techniques, Analysis, Melbourne, Longman.

Morgan, N. A., 1990. Implementing marketing: Key issues for professional service firms. Journal of Professional Services Marketing 6 (1), 7-16.

Morgan, R. E., Foreman, S. K., Poh, T. C. C., 1994. Assessing the status of marketing in architectural service firms. Management Decision 32 (4), 36-42.

Neuman, W., 2000. Social Research Methods: Qualitative and Quantitative Approaches (Fourth ed.), Boston, MA, Allyn & Bacon.

Olson, E., 2005. The ethics of attorney advertising: The effects of different state regulatory regimes. The Georgetown Journal of Legal Ethics 18 (31055), 1055-1067.

Organization for Economic Cooperation and Development, 1997. Globalization and small and medium enterprises, Paris, France, OECD Publications.

Pearson, J. N., Ellram, L. M., 1995. Supplier selection and evaluation in small versus large electronic firms. Journal of Small Business Management 33 (4), 53-65.

Perreault, W. D. J., Leigh, L. E., 1989. Reliability of nominal data based on qualitative judgments. Journal of Marketing Research 26 (May), 135-148.

Prater, E., Ghosh, S., 2005. Current operational practices of U.S. Small and medium-sized enterprises in Europe. Journal of Small Business Management 43 (2), 155-179.

Schimmel, K. E., Davis, T. R. V., 1995. Implementing strategic marketing programs in law firms. Journal of Professional Services Marketing 11 (2), 75-93.

United Nations, 2004. Trade and development aspects of professional services and regulatory frameworks. Retrieved 16 February, 2006, from http://www.unctad.org/en/docs/c1em25d2_en.pdf#search='trade%20and%20development%20aspects%20of%20professional%20services%20and%20regulatory%20frameworks

United Nations, 2005. Report of the expert meeting on trade and development aspects of professional services and regulatory frameworks. Retrieved 9 February, 2006, from http://www.unctad.org/en/docs/c1em25d3_en.pdf#search='report%20of%20the%20expert%20meeting%20on%20trade%20and%20development%20aspects%20of%20professional%20services

Vargo, S. L., Lusch, R. F., 2004. Evolving to a new dominant logic for marketing. Journal of Marketing 68 (1), 1-17.

Wathne, K. H., Biong, H., Heide, J. B., 2001. Choice of supplier in embedded markets: Relationship and marketing program effects. Journal of Marketing 65 (April), 54-66.

Webster, F. E., Jr, 1992. The changing role of marketing in the corporation. The Journal of Marketing 56 (October), 1-17.

Wilson, D. T., Jantrania, S., 1995. Understanding the value of a relationship. Asia-Australia Marketing Journal 2 (1), 55-66.

Yavas, U., Riecken, G., 2001. A comparison of medical professionals with favorable and unfavorable attitudes toward advertising: An empirical study. Health Marketing Quarterly 18 (3/4), 13.

Zeithaml, V. A., 1981. How consumer evaluation processes differ between goods and services. In Donnelly, J. H., George, W. R., (Eds.), Marketing of Services. Chicago, IL: American Marketing Association, pp. 186-190.

Table 1: Sample profile

Type of firm:		Employees:			Location:	
	TOTAL	1-10 (small)	11-49 (medium)	50+ (large)	Metro N=24	Rural N=13
Law	9	2	2	5	6	3
Accounting/Finance	11	4	3	4	7	4
Consulting Engineering	8	2	1	5	5	3
Marketing/ Management Consulting	9	4	5	0	6	3
TOTAL	37	12	11	14	24	13

Table 2: Definitions used in coding

Relationship marketing	Establishing, maintaining and enhancing relationships with customers and other partners at a profit, so that the objectives of the parties involved are met (Grönroos, 2000). Relationship marketing also concerns the management of long terms relationships and emphasizes the interface of marketing, operations and human resource management (Grönroos, 2000).
Transaction marketing	Managing the market mix to attract and satisfy customers, in typically discrete (on-off) exchanges (Coviello et al., 1997; 2002). This is also referred to as 'order taking' marketing (Grönroos, 2000)
Database marketing	Using technology-based tools to target and retain customers (Coviello et al., 1997; 2002)
Network marketing	Developing interfirm relationships to allow for coordination of activities among multiple parties for mutual benefit (Coviello et al., 1997; 2002). Relationship may be with client firms, competitors or distributors for example.
Interaction marketing	Face to face interpersonal interactions within relationships, i.e., based on social exchange, to create cooperative interaction between buyers and sellers for mutual benefits (Coviello et al. 1997; 2002)

Table 3: Extent of practices by firm size (across all providers)

Practice:	Median value	Employees			
		1-10 (small) N=12	11-49 (medium) N=12	50+ (large) N=13	Significance (each practice by size)
Relationship management	2.50	2 above 10 below	4 above 8 below	11 above 2 below	0.01***
Transaction marketing	0.50	4 above 7 below	5 above 6 below	3 above 7 below	076
Interaction marketing	2.50	3 above 8 below	5 above 7 below	6 above 6 below	0.53
Database marketing	1.00	2 above 9 below	7 above 4 below	7 above 4 below	0.05**
Network marketing	2.00	3 above 9 below	3 above 8 below	5 above 6 below	0.52

Note: mean based on 'don't use at all' (0); 'little use/limited/have in the past, not now' (1); 'moderate use/do a range of activities/frequent use' (2); and 'high use and do a range of activities' (3).

As this is ordinal data, the medians and the numbers above and below are given across size categories

*** significant $p<0.01$

** significant $p<0.05$