2 Relationship Marketing Themes

Introduction

In this and the following chapter we consider and discuss the key aspects and themes of RM. The traditional view of RM has focused on the supplier's perspective and therefore these chapters will tend to follow the same approach.

In the past, when you, as a customer, made a decision to purchase a product or a service, your supplier would only really be interested in persuading you to choose, and subsequently buy, their product or service. Once the sale was made, the supplier would probably then be more interested in seeking out a new customer. In recent years, however, supplying organizations are now not only interested in making the sale but also in establishing, developing and maintaining a relationship with you, the customer. Why is there this change in focus? What has caused these changes to take place and what are the benefits gained by the parties concerned?

This chapter reviews the concept of RM (the development and maintenance of mutually beneficial relationships), its key features and its themes that have been researched and practised over the past three decades.

There has been the development of a perspective where knowledge of individual customers is used to guide highly focused marketing strategies leading to 'personalized' marketing. As long-term relationships with customers cannot be duplicated by the competition, such relationships offer unique and sustainable competitive advantage.

To successfully apply this approach, a company needs to have a high degree of knowledge of the technology in which it competes, an understanding of its competitors, customers and of its internal organization. RM also requires an emphasis on dialogue and creativity that ensures greater customer involvement with the company in the creation and maintenance of a relationship. Such marketing strategies, however, may not be appropriate to all buyer–seller relationships. The extent to which the development of ongoing relationships is desirable depends on the degree of uncertainty on the part of the buyer and whether the market environment is turbulent. The greater these are, the higher the likelihood of customers seeking a relationship (Zeithaml 1981; Berry 1983; Lovelock 1983).

The trend towards service orientation and the adoption of information technology within a global context has led to change and complexity (Mulki and Stock 2003). Companies need a degree of stability in which to work and establishing more open relationships with key customers and other partners/ stakeholders can help (Ballantyne et al. 2003). Levels of product quality have also improved dramatically, forcing companies to seek competitive advantage in other ways. In addition, changes in legal developments resulting from increasing public pressure have led to greater emphasis on customer relationships.

The current academic literature on RM tends to fall into a number of categories or 'themes':

- RM as a new type of marketing
- Relationships in networks
- The benefits of RM
- What is meant by a 'relationship' and what are the components of a successful one?
- In what contexts is RM practised?
- Stages of relationship
- Relationship marketing for all?

We now explore each one of these in more detail.

Theme 1: RM as a new type of marketing

RM is often seen as a new type of marketing. Trading through strong relationships occurred years ago when owners of small businesses knew and understood the needs of their customers. However, as the size of firms increased over the years, it became difficult to maintain such contacts. Today, new technology and the development of sophisticated databases, have made this possible once again.

In its simplest form, after-sales service can be considered as RM but many companies do this quite reactively rather than as a planned strategy. More

pro-actively, organizations gather information about their customers and
then decide with whom they can communicate so that buyers and sellers can
work together to mutual benefit.

Some have argued that RM can emphasize a whole offering that
includes a number of services as well as the product itself. Indeed some
(e.g. Grönroos 1996) see it as redefining the business as a service business
(incorporating both product and service elements), making the key com-
petitive elements part of service competition (this has more recently been
developed as the 'Service Dominant Logic' [S-D Logic] which we discuss
in more detail later).

Grönroos redefines marketing as follows: 'Marketing is to establish, main-
tain and enhance relationships with customers and other partners, at a
profit, so that the objectives of the parties involved are met. This is achieved
by a mutual exchange and fulfilment of promises' (1996: 13). Grönroos sees
this redefinition of the business as an important strategic role for RM
together with the need to look at the organization from a process manage-
ment perspective rather than seeing marketing simply as one of a number of
organizational functions. This, of course, requires a significant change in
business philosophy. Similarly, as RM focuses on developing a continuous
relationship between buyers and sellers and marketing through relation-
ships as compared to transactional marketing, participants may become
interdependent over time as they continue to interact (Boedeker 1997;
Holmlund and Törnroos 1997).

According to Grönroos, all marketing strategies lie between the extremes
of transactional and relational. He sees the relational strategy as focusing on
interactive marketing with the 'marketing mix' performing a supporting
role. Rather than employing market share as a measure of marketing success,
this approach uses customer retention.

Christopher et al. (1991) see RM as a synthesis of three complementary
perspectives:

- The shifting of emphasis from a transactional to a relationship focus.
- A broader view of the markets with which the company interacts. In addition to
  customer markets, there is the development and enhancement of relationships
  with other markets such as supplier and internal markets.
- A recognition that quality, customer service and marketing activities need to be
  brought together.

Christopher et al. (1991) see all three of these perspectives being linked to
customer retention. The second perspective above implies relationships with
others, not just customers, and particularly internal markets. This is a very
important market as there seems to be a strong linkage between employee
satisfaction, employee retention and customer retention (Reichheld and
Kenny 1990). The third perspective is concerned with improving service

quality through the integration of quality, customer service and marketing. All these together should lead to improved customer retention.

All the above imply a change, not only in terms of marketing practices but also in terms of the development of a new marketing theory. Möller and Halinen (2000), however, argue that RM does not form a general theory of marketing as it involves two types of relationship theory. Firstly, one that is 'market based' which is consumer oriented and secondly, one that is 'network based' which is more inter-organizationally oriented. They see the former as being low in relational complexity and the latter as being high. Table 2.1 displays the managerial challenges each type of RM produces.

Table 2.1   Managerial challenges of the two types of relationship theory

Market-based	Network-based
Developing and managing customer relationships	Managing the firm from a broader resource perspective where there is a focus on exchange relationships
Applying different marketing tools to different customer segments	Managing a portfolio of exchange relationships
Managing individual customer relationships Managing multiple contact channels	Managing networks Managing individual relationships
Importance of information systems/ databases	Establishing, developing and maintaining strategic partnerships
	Constructing supplier and customer networks

Source: Adapted from Möller and Halinen (2000: 46–47)

The above implies the need for different approaches depending on the particular focus: the consumer or the organization. However, as it is unlikely that building and maintaining relationships with customers alone will be successful, other stakeholders need to be considered. Therefore, it is more likely that the network-based relationship theory is appropriate for all RM situations.

Theme 2: Relationships in networks

As we note above, and in Chapter 1, RM is often seen as involving more than just relationships between buyer and seller but also suppliers and other infrastructure partners (Sheth and Parvatiyar 1995) involved in exchanging something of value (Aijo 1996).
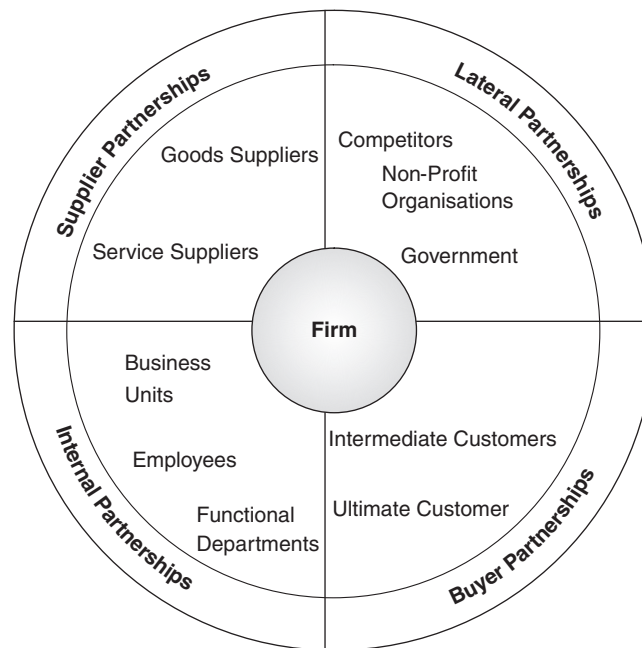
Figure 2.1   Forms of Relational Exchange
Source: Adapted from Morgan and Hunt (1994: 21)

RM shares with a number of other disciplines a concern over strategic alliances, partnerships and strategic networks. It embraces intra- and inter-organizational relationships as well as relationships between organizations and individuals (Eiriz and Wilson 2006).

Some identify the importance of relationships with a number of additional 'customer' types: supplier, recruitment, referral, influence and internal markets (Christopher et al. 1991, 2002; Peck et al. 1999). Gummesson (1999) goes further and identifies thirty relationship types all of which have the potential values of long-term collaboration producing mutual benefits.

Morgan and Hunt (1994) identify ten forms of relational exchange which can exist within four types of partnerships: supplier partnerships, lateral partnerships, internal partnerships and buyer partnerships (Figure 2.1).

Are all these relationships within networks of equal importance and value? Martin and Clark (1996), distinguish between first-, second- and third-order relationships. First-order relationships are those which the focal firm experiences directly with other stakeholders in the marketplace. Second-order relationships are the networks of relationships that take place between the various participants, and third-order relationships are the internal relationships

in the participants' organizations, and include customer-to-customer interactions. A theatre, for example, would have first-order relationships with its audience (customers), with the providers of the script, stage props etc. (its suppliers), the arts council, local authority or media (its regulators) and with other theatres and other entertainment providers (competitors). Its second-order relationships could include, for example, those between the arts council and other theatres and other arts providers, and examples of third-order interactions could include interaction between competing theatres or between different audience members.

In a similar vein, Boedeker (1997) believes that RM can be put to use on various levels, depending on the type and number of bonds used by the company to increase customer loyalty. At the lowest level, price incentives are used to increase the value of the customer experience, but as price is the most easily imitated tool, this seldom offers long-term competitive advantage. At the second level, therefore, in addition to price, social bonds are developed by offering unexpected services. This can only be achieved by learning about clients' wants and needs and customizing the service. Eventually a third level is established, where bonds that provide clients with value-adding systems and which are not available from other sources are institutionalized within the organizational structure. Boedeker (1997) believes that this approach can be applied to various kinds of relationship such as the company network, between two individual companies, between the company and other stakeholders and also internally.

Theme 3: The benefits of RM

From a firm's perspective, Relationship Marketing is based on two arguments:

- It is more expensive to win a new customer than it is to retain an existing one.
- The longer the association, the more profitable the relationship for the firm.

Whilst it would depend on the individual, it is claimed that getting a new customer is five to ten times more expensive than retaining one. This is not only because of the direct costs that are incurred but also the costs of unsuccessful prospecting that can be saved. Furthermore, as customers become more satisfied with the service they receive, the more they buy (Reichheld and Sasser 1990). As purchases increase, operating costs fall due to increased efficiency.

Reducing customer defection rates is obviously critical for retention. As defection rates fall, the average customer relationship lifespan increases. When customers defect they take profits away from current transactions *and* future profits *and* negative word of mouth comments. Therefore, RM stresses the following as key to profitability :

- loyalty
- customer retention
- long-term relationships.

Indeed, 'customer share' is more important than market share (Gummesson 1999) although the relationship must be win–win if it is to be long-term and constructive and the initiative must come from all parties to produce equal and respectful interactions. The share of the customer refers to the percentage of an individual's lifetime purchases. In addition, 'economies of scope' can occur which refer to the cost savings resulting from the complementarities of products. 'Customer loyalty' is now being used instead of 'brand loyalty' and this emphasizes the interactive nature of the commitment of the customer to the firm and/or its employees. Brand loyalty, in contrast, suggests that the commitment is to the product.

Another key benefit is that long-term service customers become better co-producers and this helps production and delivery and therefore improves quality. This also means that service providers can gradually build up knowledge about their customers. In addition, customers tend to become less price sensitive as the relationship becomes more important to them than price alone. Thus RM improves security and makes outcomes more predictable.

Theme 4: What is meant by a 'relationship' and what are the components of a successful one?

A relationship implies interaction (Sheaves and Barnes 1996), and Duck (1991) sees relationships as providing reciprocal support with the nature of this support helping to define the degree and type of relationship. Although 'relationship' implies interaction it is not necessarily a cooperative one as relationships can also involve conflicts and can exist between enemies. Of equal importance is the fact that interaction does not necessarily mean that there is a relationship. There is therefore a need to outline what activities and exchanges relationships involve (Holmund and Törnroos 1997).

Social relationships can range from more formal interactions which are unlikely to be characterized by much feeling or emotion, to the much more personal relationships which resemble what psychologists refer to as close relationships (McCall 1970). There are exchange relationships where there is the expectation of receiving a benefit and on the other hand, 'communal' relationships where both parties are concerned with the welfare of the other. In the latter case, benefits are based on the needs of the other and would seem to be more long-term than exchange relationships (Clark and Mills 1979).

Although many factors have been identified in the literature as being particularly important for successful relationships, five seem to be the most commonly noted (Conway and Swift 2000):

- commitment,
- trust,
- seller's customer orientation/empathy,
- experience/satisfaction
- communication.

Commitment

Commitment is an intention to continue a course of action or activity (Hocutt 1998) and is a long-term concept. Some believe that the level of commitment a partner feels towards a relationship is of major importance in relationship development and subsequent success (Morgan and Hunt 1994; Wilson 1995). Commitment can also be viewed as the desire to maintain a relationship (Hocutt 1998) and is often indicated by an ongoing 'investment' into activities which are expected to maintain the relationship (Blois 1998).

Commitment is also likely to be influenced by social bonding. Buyers and sellers who have a strong personal relationship are more committed to maintaining the relationship than less socially bonded partners (Wilson and Mummalaneni 1986).

Trust

Trust is expectation that the word of another can be relied upon and implies honesty in negotiations. Trust is the precondition for increased commitment (Mietilla and Möller 1990) and like commitment is often stated as a vital factor in successful relationships.

Ford sees trust as an important consideration as 'many aspects of relations between customers and suppliers cannot be formalised or based on legal criteria. Instead relationships have to be based on mutual trust' (1984: 18).

Promises must be kept in order to maintain relationships, with mutual trust being a main factor in long-term relationships (Takala and Uusitalo 1996). The challenge for Relationship Marketing is to inculcate trust in the partner. Trust is established where the perceived performance matches promised performance.

Some link trust to commitment (Wilson 1995; Liljander and Strandvik 1995; Morgan and Hunt 1994). Morgan and Hunt (1994), for example, argue that both trust and commitment, are 'key' elements in a relationship as they encourage marketers to work at preserving relationship investments, by cooperating with exchange partners. Trust and commitment also help in resisting attractive short-term alternatives, in favour of staying with existing partners.

Trust can be influenced by satisfaction and experience (Ganesan 1994) as trust is unlikely to be built where no (or very little) experience exists. Similarly, others see rapport as an important influence (Macintosh 2009).

Some distinguish between trust and trusting behaviour (Ali and Birley 1998; Cowles 1997). Ali and Birley (1998) distinguish between trust based on the personalities involved and trust based on actual behaviour with the latter being more rational. Cowles (1997), however, believes that trust and trusting behaviour are linked to risk. A customer relationship therefore does not always involve trust (if there is no risk, trust is not relevant). For example, if there are contractual safeguards, there is no risk and therefore no trusting behaviour.

Trust can also influence the development of customer orientation/empathy. The greater the level of trust, the more the chance of a positive attitude being developed and this in turn, can lead to a heightened level of customer orientation/empathy.

Customer orientation/empathy

The word 'empathy' refers to the ability to see a situation from someone else's point of view and the greater the degree of empathy between the parties concerned, the fewer the barriers to relationship development. Indeed, even where service delivery has failed, the ability to empathize with the customer can help build a relationship. For example, if a hotel guest complains about a room and the complaint handler clearly understands what the complainant is experiencing, service recovery leading to future bookings is more likely. Customer orientation/empathy, therefore, encourages trust and increases the chance of developing a long-term relationship and thus more sales. It requires the whole firm to satisfy customer needs more successfully than the competition.

Experience/satisfaction

The success of a relationship depends on the degree to which relationship expectations meet with relationship performance. Also, the last experience is usually remembered best (this is known as the 'recency effect'): thus if the last experience is positive, this may overcome any negative experiences encountered previously and vice versa. Experience, therefore, has an important influence on customer satisfaction (Rosen and Suprenant 1998) and of course, the more satisfied the customer, the more likely that the relationship will last.

Relationship satisfaction can be seen to be needed for relationship quality and Storbacka et al. (1994) propose a sequential conceptual framework with the links between the various stages being important for analysis (Figure 2.2). They propose that the dissatisfied customer will defect and the relationship will end but this may be too simplistic, in that there may be a zone of tolerance. For example, the experience of poor restaurant service may be suffered on

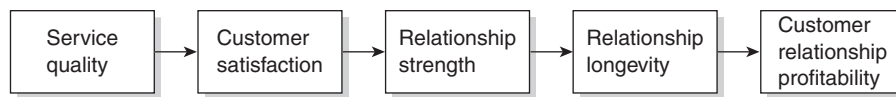| Service quality	→	Customer satisfaction	→	Relationship strength	→	Relationship longevity	→	Customer relationship profitability

Figure 2.2   Stages in the development of relationship profitability

Source: Adapted from Storbacka et al. (1994: 23)

a few occasions if the quality of food was still good. Customer satisfaction, however, doesn't automatically lead to retention as large numbers of customers who defect, say they are satisfied (Reichheld 1993). Indeed, a customer could rate a service highly and yet not be satisfied with the experience.

Satisfaction, as well as being an important component of relationships, can also influence other components. For example, the relationship between trust and commitment is mediated by satisfaction (Hocutt 1998).

Communication

As all relationships components are experienced through communication, this is a vital component in its own right. In the business context, communication should involve two-way dialogue (Grönroos 2004). Indeed, at its basic level, the communicator (or sender of the message) needs 'feedback' on the communication and this is only possible if there is a two-way flow of information.

There are two main categories of communication for an organization – internal and external. Communication is particularly important when a new business relationship is being established and communication is essential in relationships as it implies dependence and commitment (Takala and Uusitalo 1996). It also has the propensity to influence levels of trust between buyer and seller (Selnes 1998).

Theme 5: In what contexts is RM practised?

In Chapter 1 we indicate a number of contexts in which RM has developed:

- service markets
- channel management
- business-to-business markets
- not-for-profit organizations
- consumer markets.

RM is widely practised in service markets. This is due to the fact that normally both the service provider and consumer are required to be present

for the service to take place (getting a haircut, going to the dentist, for example). As a result, some form of relationship must exist during service provision (Palmer 1997). RM is used in channel management and relationships between members of the marketing channel have been examined. (Dwyer et al. 1987; Anderson and Narus 1990). RM is also found in business-to-business (B2B) marketing and it is in this area that a good deal of the initial thinking on RM occurred. Indeed, a particular approach, the 'interaction model', can be regarded as a forerunner of RM. The Interaction Perspective looked specifically at the interaction between suppliers and purchasers and developed out of research undertaken by the IMP (International Marketing and Purchasing) Group which specifically considered such interactions in an international context. The perspective places the emphasis on processes and relationships. Buyers and sellers are seen as active participants in long-term relationships with marketers and purchasers supporting and maintaining relationships rather than merely buying and selling. The links between the two parties can eventually become institutionalized.

Håkansson (1982) gives three sets of variables to be taken into consideration when assessing the importance and influence of interaction:

- The environment in which the interaction takes place.
- The 'atmosphere' surrounding the interaction.
- The elements and process of the interaction itself.

These relationships go through two basic stages of development, the first of which Håkansson calls the 'episodes' stage, which consists of an exchange of products/services, information etc. between companies. Once this stage has been achieved to the mutual satisfaction of concerned parties, they progress to the next stage, termed 'adaptations and institutionalization' which is largely based on the concept of developing relationships. A crucial element in both achieving and developing each stage of the relationship is the establishment of a degree of mutual trust. Clear expectations about roles and responsibilities on the part of both parties develop over time and eventually these expectations become 'institutionalized' and form part of the traditional way of operating.

Jackson (1985) is often quoted as being one of the first people to apply an RM perspective in the B2B marketing context. She distinguishes between two extreme types of situation. At one extreme there is the 'always a share' situation where a buying organization, by the very nature of the market it is in, can share out the business to various suppliers. In this situation, building a long-term relationship with one supplier would be inappropriate. The other extreme case is what Jackson terms the 'lost for good' situation. Although the term seems to sound a negative, this scenario is positive for a supplier where there is an ongoing relationship with a buyer. The business,

however, is likely to be 'lost for good' if it is lost at all. Jackson (1985) believes that RM is valuable in the latter situation and 'transaction' marketing more appropriate in the former case. Of course, she accepts that there are intermediary types. The key to the approach is that a supplying firm needs to understand the customer's position to gain a benefit and a key issue on the part of the buyer is the possible cost of change, especially if there has been a long-term relationship.

Another sector where RM may be important is the not-for-profit sector (McCort 1994; Conway 1997; Brennan and Brady 1999). McCort (1994) believes that organizations in this sector match well with an RM strategy because of the dual nature of their customers – those who fund the service and those who use the service may not necessarily be the same people but where mutual benefit is required (taxpayers paying for healthcare, for example). Brennan and Brady (1999) also believe that not-for-profit organizations are well suited to RM due to the increasing requirements to measure and monitor customer satisfaction and of the growing importance of internal marketing in this sector. RM can overcome a short-term, tactical emphasis that can exist with not-for-profit organizations (Conway 1997). In not-for-profit organizations, because 'consumers' do not pay directly for the service, there is pressure for marketing to take on a 'selling' function in order to attract funds and this tends to be of a tactical, short-term nature. There is a need for a more long-term marketing perspective and in order to ensure that not-for-profit organizations have a more strategic, planning perspective, the development of long-term relationships with a variety of 'customers' becomes important.

For consumer markets, Shani and Chalasani consider RM as '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'. (Shani and Chalasani 1992: 44). They believe RM as being based on the identification, building and continuously updating of a database to store relevant information about current and potential customers. These strategies also require the use of innovative media to target the customer and communicate with him/her on a one-to-one basis. Tracking and monitoring of the relationship with each customer over time is needed and the lifetime value for the organization, calculated.

Theme 6: Stages of relationship

Some use a marriage metaphor to describe the various stages through which a relationship can develop (Dwyer et al. 1987; Grossman 1998). The marriage analogy may not be an appropriate approach, however. Tynan (1997), for example, argues that the marriage analogy may now be less than helpful as
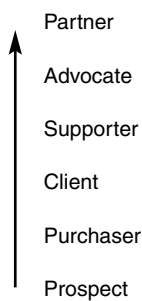
Partner

Advocate

Supporter

Client

Purchaser

Prospect

Figure 2.3   Ladder of Customer Loyalty
Source: Adapted from Christopher et al. (2002: 48)

it does not help in the understanding of timescales, the number, nature and willingness of the parties involved nor does it offer the possibility of a consideration of dysfunctional relationships (although Dwyer et al. use a divorce metaphor within their scheme).

Duck (1991) states that building a relationship involves four key elements:

- awareness of the opportunities for friendship;
- the ability to encourage and entice likeable persons into a relationship;
- skills and knowledge about the ways in which relationships are helped to develop and grow;
- skills that help to maintain and repair relationships.

Waddock (1989) presents a process comprising recognition of the need/use of partnership, initiation of the partnership, establishment and maturity. Scanzoni (1979), on the other hand, sees three stages of involvement: exploration, expansion and commitment.

Christopher et al. (2002) present a different five stage model, which they term 'a ladder of customer loyalty' (Figure 2.3). The role of RM here is to advance relationships up the ladder. Partners work together for mutual benefit and advocates are so deeply involved in the organization that they are very loyal long-term purchasers but they also influence others through positive word-of-mouth. Moving customers up the ladder, however, is not a simple task. Organizations need to know exactly what each customer is buying and as every customer is different, they need to know how they can continue to offer additional value and satisfaction that will differentiate their offering. Essentially this is through exceeding expectations.

Similarly, Cross (1992) talks of the 'Five Degrees of Customer Bonding' which are awareness, identity, relationship, community and advocacy. All of these have different levels of trust and interaction in the relationships with customers. It is the final three stages which are considered to be the key ones relating to RM as they emphasize two-way interaction.

Theme 7: Relationship marketing for all?

Successful RM would seem to require a supportive culture which involves effective internal marketing. Organizational structures and rewards schemes geared to an understanding of customer expectations using a sophisticated customer database are also likely to be required. However, there may still be additional factors that make RM less attractive (Sharland 1997). For example, it is important to note that costs are incurred when building and maintaining relationships (Blois 1998). Relationships have positive and negative aspects, their value being determined by the relative importance of each. From the point of view of a specific customer, the balance between the positive and the negative may vary between suppliers for a whole variety of reasons. For example, a customer's view of the desirability of entering into a relationship will be affected by perceptions of the likely size of the transaction costs involved.

Summary

This chapter has presented a review of the literature dealing with the growing interest in the philosophy of RM. The chapter has considered the implications of its philosophy and its benefits to the parties concerned. The application of RM can be found in a variety of contexts, particularly in service and business to business markets due to the importance of personal interaction within these areas. A case has also been put forward for its application within a not-for-profit context. The chapter also delves a little more deeply into what is meant by the term 'relationship', identifying types of relationship and the various components that a successful relationship requires. In addition, various stages in the development of a relationship have been highlighted and circumstances where RM may not be so appropriate have been noted. In discussing the common themes, a good deal of literature has been referred to. Such an extensive list of references presented at the end of the chapter offers the reader a wide variety of sources offering the opportunity for further reading.

Learning outcomes

After reading this chapter you will:

- be able to outline the key features of RM;
- identify common themes from the academic literature;
- be able to evaluate the main concepts and models that relate to these themes;
- have an extensive list of further reading on the subject of RM.

Activities and discussion questions

- Think of an organization that pursues an RM approach with you as the customer. What are the key features that you have used to help you identify such an organization and why?
- Consider *one* business relationship: how would you describe the degree/stage of the relationship you have and why? What are the advantages and disadvantages of having this relationship?
- To what extent do you think RM can be considered as a 'new' type of marketing? Justify such a decision.

Case Study 2	Contact Theatre: A successful 'relationship focused' subsidized theatre

Purpose: To demonstrate how a broader view of customer and the building of mutually beneficial relationships with such different customer types can enhance the strategic effectiveness and success of an organization.

Situated just outside Manchester City Centre, UK, the Contact Theatre (known as 'Contact') was originally a University Theatre predominantly funded and controlled by the local university. As a result of an overall review, Contact was established as a pioneering theatre venue in Manchester. It receives the largest source of its finance from the North West Arts Board (NWAB). In addition, the Association of Greater Manchester Authorities (AGMA) and Manchester City Council provide funds for specific types of work. There is still, however, some support from the university (cash and in kind).

The theatre was totally refurbished and re-opened in 1998 with a different mission and governance structure. The building includes three theatre spaces – Space 1, a 350-seat end-on theatre; Space 2, an 80-seat flexible studio, and Space 3, a rehearsal, workshop and performance space. It also creates performances and events in its 'lounge' area, which has a stage, a bar, and room to dance. The theatre's website is a space for debate, artistic showcases, insight into artistic processes, and sharing of ideas.

The theatre's programme combines a mix of productions and touring projects ranging from theatre, dance, participatory projects, education initiatives, music and clubs. It is seen as a space where new kinds of theatre are created, a place where artists can meet, develop, explore and take risks. It claims to be constantly 'exploring new ways to develop, to learn and to create exciting theatre, bringing together passions, fashions, moods, moves, sounds, networks, anger, engagement, words, rhythms, visions and visuals in the theatre'.[1] A wide range of development opportunities for artists is available with a particular focus on emerging artists. It runs residencies, training courses, and provides a lot of support and advice. Many of the artists at Contact have developed through its participatory projects, but artists are welcomed at all stages in their lives. International collaboration is also seen as very important. Artists are regularly invited from across the world to perform at Contact, and

Case study

Case study

programmes of theatre exchange help to develop new kinds of artistic understanding. The theatre embraces music and the cultures surrounding music, a full range of visual media, and writers who are poetic, experimental and collaborative. The vision of the theatre is that of a 'young people's theatre' where young people can grow, learn and make decisions as a young artist, audience member, organizer or leader. Although the majority of the theatre's audiences come from these age groups, the theatre also welcomes audiences and artists of all ages.

The motives for a theatre's existence can be very different depending on whose views are being sought: management, artists, audience, funders, regulators, sponsors, etc. Indeed, the measurement of 'success' of a subsidized theatre could be considered problematic because of ambiguous goals and objectives and the difficulty in measuring outputs.[2] The attraction of revenue needs to match the organization's objectives such as the covering of costs, meeting funding body targets or reaching both core and new audiences. In addition to box office revenue, funds could be from business support through sponsorship, donations/gifts in kind, corporate entertainment, trusts and individuals. There does, however, seem to be a general consistency amongst employees within Contact of what the key indicators of success are. All see quality of work and quality of experience as important. The theatre has won many awards for its work, including, in recent years the Art 04 and Breakthrough awards from the Arts Council, plus many awards for its artists, writers and shows. The Chief Executive/Artistic Director believes that quality of work attracts the best artists. He also sees the importance of audience satisfaction, of evaluation and of acquiring feedback. Indeed, audience forums take place monthly with more than twenty participants attending each. Although all staff understand the importance of the Box Office, all feel that this should not be the only indicator. External stakeholders also believe that the theatre is successful in terms of what it sets out to do and the representatives of its major funders, the North West Arts Board (NWAB) and the Association of Greater Manchester Authorities (AGMA) view the theatre's Board as being effective in helping to achieve this. As a representative of AGMA says, 'The theatre impacts on the community through outreach and education. They talk of collaboration and this is exactly the direction that AGMA wants'.

It is the artistic director who provided the strategic direction for a theatre as well as being the creative driving force behind the organization. Of particular importance, therefore, are the relationships that exist between the artistic director and those involved in revenue generation, regulation, usage and staff members. Relationships that are effective should be clearly of a two-way, mutually beneficial nature. The theatre believes that it is important to collaborate with people in order to achieve the best results. Its partners range from local, national and international arts organizations which come to Contact to present or make work, to specialist agencies working with particular communities. All speak of two-way relationships and the importance of evaluation and feedback from the audience (forums and informal feedback via staff and evaluation of publicity). The general view is that the theatre should be seen as a quality theatre for young people by young people. The fact that the term 'for' rather than 'to' is used, reinforces the two-way perspective that is communicated. All employees believe in the importance of building relationships with the audience and others who deal with this audience, e.g. teachers, youth workers, etc. They also acknowledge the existence of important other beneficiaries with whom there is a need to build relationships,

Case study

such as emerging artists, companies, other theatres, funding bodies and the theatre's board. Due to the vast array of activities, the building of relationships and increasing collaboration are considered as vital:

> 'We need to build relationships with a variety of customer types: audiences, artists, staff, funding bodies. It is only through collaboration with these that we can achieve what we have set out to do. Everything is audience development. Relationship development and collaboration with other organisations so that the whole community can become involved are important aspects of this'. (John McGrath: Chief Executive)

Participation is at the heart of the theatre's work, and it runs a huge range of activities in which young people and artists can join, learn and develop. These activities range from outreach projects with a wide range of communities, to drop-in sessions, to intensive artistic development programmes such as Young Actors and Young Writers groups. Young people are also encouraged to become involved in planning and decision making at Contact through a range of opportunities including its Open Contact forum and its Action Contact groups.

In terms of staff as the 'internal' customer, there seems to be a general consistency of perceptions. Even though there is a clear hierarchy on paper, employees see the organization as open with collaboration existing between departments and with external bodies. This results in high levels of satisfaction on the part of staff, high levels of mutual trust/commitment and two-way communication.

External stakeholders also have a positive relationship with the theatre. The NWAB has a positive view of its relationships with Contact's Board which is seen as being very representative of other groups, e.g. black members, youth, etc. Similar views are displayed by AGMA: 'Contact is always responsive to a variety of requests from a variety of stakeholders' (Representative of AGMA).

Notes

1   www.contact-theatre.org (accessed 18/7/09).
2   Hill, E., O'Sullivan, C. and O'Sullivan, T. (1997) *Creative Arts Marketing*, Oxford: Butterworth Heinemann.

Activities and discussion questions

- What does Contact use as a measure of 'success' when it assesses its performance? Why do you think this is the case?
- Who does the theatre consider as its customers and are all such customers considered as equally as important? Justify your answer.
- Using examples from your own experiences, to what extent do you think RM could help not-for-profit organizations fulfil their mission?

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