

A MARKETING RUBRIC: BACK TO BASICS AS THE RECESSION PLAYS ON

By Robert Friend, VP Sales and Marketing, Choice Ticketing Systems

Just as Wall Street has survived a year-long adjustment to financial conditions, so has the arts industry. According to *The Chronicle of Philanthropy*, despite continued strength in attendance at museums and theatres, many non-profit arts organizations nationwide have adopted cost cutting initiatives in response to a decrease in contributions from individuals, corporations, foundations and the government. A growing number of arts organizations, now a statistic of the economy's adjustment, are no longer in operation, including the Baltimore Opera, the Santa Clarita Symphony and the Foothills Theatre Company.

In his keynote address during the League's recent

conference in Cleveland, Steve Wolff of AMS Planning and Research described a common practice among non-profit arts organizations across the country of embracing the concept of a balanced budget, striving annually to break even, and celebrating their success if they come close. Challenging this thinking, Steve urged us to change our business model, diversify and maximize all revenue streams, and aim for profitability that can be re-invested in growing the capacity of our buildings and services to our community.

Whether we agree with these ideas or not, as arts managers we need to begin re-thinking the management and growth of our organizations. We

need to think about the best way to initiate the paradigm shift and operate our businesses profitably.

Fact is, many of us have instituted cost-cutting measures due to the economy and are operating in a "lean and mean" environment. Making change often requires resources and expertise that is not readily available. We find ourselves caught in the "here and now" of our operations with many theatre managers struggling just to maintain the status quo.

As I speak with arts organizations all over the country, investigating their operations and trying to understand the challenges that stop them from experiencing breakthrough success from a

marketing, development and technology perspective, I am surprised how often management expertise limits the forward movement of an organization. To be a successful arts manager today means to be extremely self-sufficient and effective in all areas of an operation. Survival is often predicated on scope of expertise as well as the ability to efficiently prioritize and manage an operation.

Getting Back to Basics

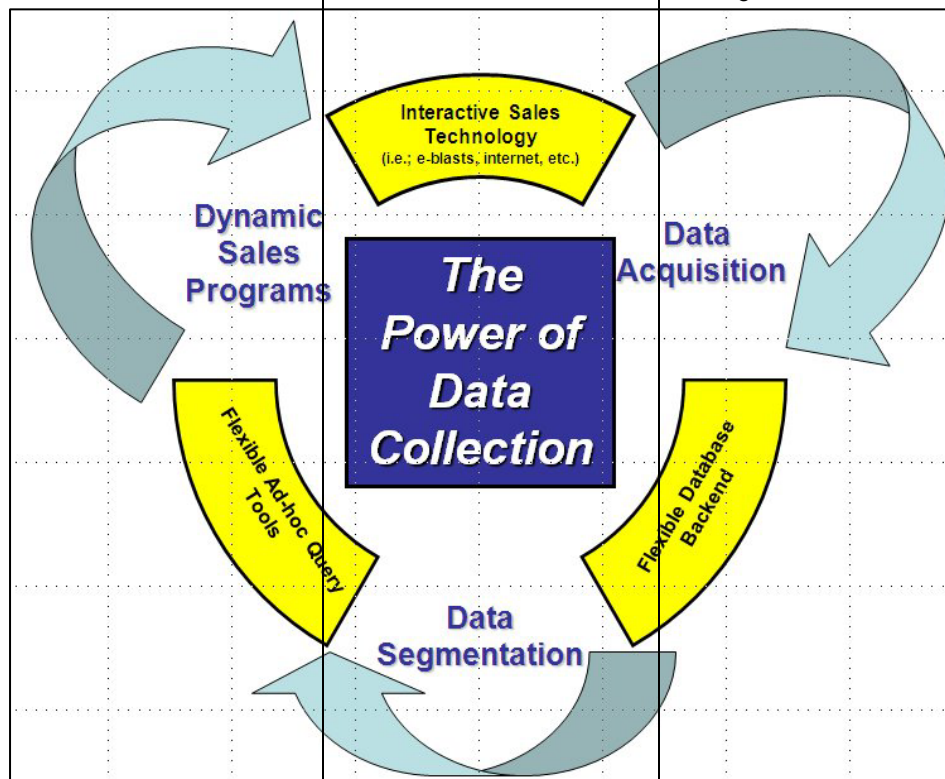
Just as the intuitive technique of picking up a ground ball, pulling it to your body, gripping the ball and stepping forward to throw it to first base is a basic instinct of playing the infield in baseball, that same basic and intuitive approach is necessary for running your theatre. The ability to respond instinctively to challenges, as well as to opportunities for advancement can make or break the success of your operation.

The "Getting Back to Basics" Formula: Four Key Market-Driven Areas That Can Make a Difference for Your Theatre

As we continue in the heat of the unknown economic forecast, the following are several key "Back to Basic" concepts and tools that could play a strategic role in helping any theatre manager cope effectively.

1. Database Management

The basic element of any theatre's technology-based sales process is its



ability to collect customer data and use it to better understand purchasing trends. Once an organization has effectively implemented the data collection engine, it can strategically drive and control the sales process in support of its bottom line.

No matter the audience segment, the key to controlled success is to capture sales and fundraising data through every transaction and use that data to identify buying trends and habits that will enhance future marketing effectiveness.

At the center of the database management and segmentation process is the data collection phenomenon. The process is a cyclical, self-perpetuating activity. Marketing programs are created and implemented for specific market segments of a theatre's audience. Once the audience segmentation is

prepared, the sales message is delivered through a myriad of sales tools (such as e-blasts, the Internet, direct mail, telemarketing, etc.). The success of each marketing activity will be seen at the box office or via the web sales portal where sales data is electronically captured and filtered into the database for future marketing effectiveness. At that point the sales cycle begins again.

This holistic process, when properly administered and managed, will allow a theatre to drill deep into the segmentation of its audience base to provide targeted access to its arts programming.

2. Market Research

As theatre managers, we have an obligation to fill the theatre by reaching into the community and delivering a sales message to the people who will most likely have an interest in a particular show or genre of performing arts. Understanding an

audience does not come without a price. A commitment to market research as a core component of a marketing and development effort can play a strategic role in the effectiveness of your sales and fundraising activities.

Many times when budgets are cut, market research initiatives are the first to go. Yet we must understand that the market research we implement today can have long-term impact on market success. The resulting analytic dashboard of findings from a market research effort has the ability to redefine the way in which a theatre communicates to its audience. Marketing initiatives that are based on sound market research efforts are more likely to deliver strong results.

Before commencing a market research initiative, define the objective of your effort, as well as the need and reason for the research. Then, identify who or what will be studied

from the process: current ticket buyers, donors or members; first time subscribers and single ticket buyers; lapsed subscribers or inactive ticket buyers; prospects with no experience or history with the organization. Once the market segment is identified for the research tool, determine the research methodology. Phone surveys, focus groups, exit surveys, performance audience surveys, box office surveys, lobby surveys, and internet surveys are just a few of the options available for this process.

Questions that identify behavior and attitude can be extremely effective in helping you understand how a market segment will use a performance facility. No matter which research tool or set of questions is used to study the market segment, the resulting data can be highly effective in helping you understand your audience.

Without an active market research program, navigating forward can be like driving through a thick layer of fog. All performing arts organizations should execute some form of market research each year to answer questions about their audience base and to assist them in envisioning future behavior.

Since the analytic approach to market research is extremely complex and can be a daunting concept to initiate, you may want to seek help from a consulting firm specializing in performing arts market research.

3. Developing a Strategic Marketing Plan

Along with market research is documentation

Chart #2

<h1>Strategic Planning & The Marketing Plan</h1> <h2>Your Blueprint for Success!</h2>	
<ul style="list-style-type: none"> ➤ Executive Summary <ul style="list-style-type: none"> ✓ Summary Overview of total Marketing Plan ➤ Description of Business <ul style="list-style-type: none"> ✓ Mission Statement & Organizational Values ✓ Overview of the Business Operation ✓ State Artistic Goals & 2009/2010 Season ✓ State Marketing Goals & Objectives ➤ Situation Analysis <ul style="list-style-type: none"> ✓ Sales and Revenue Trends ✓ Detailed Existing Audience Profile ✓ Current Operational Bottlenecks & Issues ✓ Summary Conclusion of Current Operation ➤ Market Analysis & Research <ul style="list-style-type: none"> ✓ In-depth Market Analysis: <ul style="list-style-type: none"> • Identify Primary & Secondary Markets • Analyze Market Penetration & Potential <ul style="list-style-type: none"> - Individual Households - Groups, Clubs & Educational Markets - Corporations & Businesses • Identify Market Position – SWOT Analysis <ul style="list-style-type: none"> - Strengths, Weaknesses, Opportunities & Unexploited Opportunities, Threats ✓ Identify & Create Market Research Plan ➤ Customer Profile <ul style="list-style-type: none"> ✓ Customer Demographics & Psychographics ✓ Create Detailed Target Customer Profile 	<ul style="list-style-type: none"> ➤ Competition <ul style="list-style-type: none"> ✓ Detailed Analysis of Market Competition <ul style="list-style-type: none"> • Primary Arts & Entertainment Competition • Non-related Business Competition ➤ Sales & Direct Marketing Strategies <ul style="list-style-type: none"> ✓ Marketing Sales Programs & Projections <ul style="list-style-type: none"> • Identify Direct Sales Programs • Identify Target Audiences by Program • Create Product Pricing Strategy • Project Sales Activity & Earned Revenue <ul style="list-style-type: none"> - Create Detailed Cost/Benefit Analysis • Identify Timeline & Staff Implementation ✓ Audience Development Programs/Projections <ul style="list-style-type: none"> • Develop Audience Development Plan • Identify Target Audiences ➤ Advertising, Media & Promotion Strategies <ul style="list-style-type: none"> ✓ Advertising Objectives & Strategies <ul style="list-style-type: none"> • Season Advertising Campaign Plan • Season Advertising Budget ✓ Press/Media Objectives & Strategies <ul style="list-style-type: none"> • The Press/Media Plan • Season Press/Media Schedule ✓ Promotion & Media Sponsorship Plan ➤ Financials <ul style="list-style-type: none"> ✓ Projected Revenue & Expenses ✓ Financial Modeling (Desktop Dashboard)

of a marketing plan or business plan. Building a business plan is paramount to the success of your organization. Documenting your organization's vision, goals, strategies and tactics on paper brings life to your operation and provides a reference point for scrutiny and self-assessment. It is a powerful document to have by your side.

The marketing plan is a fluid document that serves as a guide to a theatre's sales and marketing process. It provides an opportunity to look deep within an organization, identify the current operating model, and evaluate whether the model is working or not. It also provides an opportunity for shifting the way the organization operates. It enables you to identify target audiences that will bring about success, gives you the ability to set and document

specific strategies and tactics to achieve the goals of the organization, and provides defined financial modeling tools which enable you to track and measure the success of a sales and marketing operation.

For instance, if a sales program for a subscription or membership effort falls short of its financial goal, how can the organization adjust? The marketing plan can serve as an analytic guide, providing financial tools to help you immediately understand the status of sales programs and offering alternative programs for adjusting the plan to ultimately achieve the desired result.

Cost Benefit Analysis

Cost Benefit Analysis is one example of a financial analytic that can support an organization's understanding of the success of sales activity. The analytic is more than

a tool for determining how much net revenue a specific sales program is projected to earn; it enables you to understand the cost of a program versus what it earns.

A key dashboard analytic in Chart #3 is the "*Dollars Generated vs. Dollars Spent*" column. In the first row of the analysis, the subscription program, *Renewal Drop #1*, provides a cost effective approach to the subscription acquisition process. In this case, the only cost to reacquire the current subscriber is a renewal invoice. Therefore, *Renewal Drop #1* generates \$148.35 for every one dollar spent on the renewal invoice program. Compare that to a return of \$1.93 for every dollar spent on a new acquisition *Fall Brochure* that was mailed to 20,000 prospective subscribers who have never purchased a subscription to the theatre. The rule

that it costs more to acquire a new subscriber than to retain a current one really rings true.

Without financial analytics, an active sales dashboard and a documented marketing plan for an organization, the management team is flying blind. And, the chances for success are exponentially diminished.

Initiating a strategic marketing plan can also seem daunting. It can be an enormous undertaking, particularly if there are limited resources. However, as with any planning process or large project, the hardest part of the process is starting it. By breaking the task into bite-sized pieces, development of the plan can be exhilarating, powerful and, in the end, support the long term stability of the operation.

Chart #2 is a blueprint for a marketing plan in the performing arts. It

Doc #	Sales Piece/ Program	Number Mailed/ Used	% Response	Number Responses	Number Subs	Revenue Returned	Total Cost	% of Campaign Cost	Average Sale	Cost of Patron	Net Revenue	Cost of Revenue	\$ Gen'd/ \$ Spent
1	Renewal Drop #1	5,500	47.50%	2,613	5,486	\$1,042,180.67	\$7,025.00	2.59%	\$189.96	\$1.2805	\$1,035,155.67	\$0.0067	\$148.35
2	Renewal Drop #2	2,888	40.00%	1,155	2,426	\$460,753.56	\$5,015.00	1.85%	\$189.96	\$2.0676	\$455,738.56	\$0.0109	\$91.88
3	Tele-Servicing	1,733	29.73%	515	1,082	\$205,473.05	\$6,400.00	2.36%	\$189.96	\$5.9169	\$199,073.05	\$0.0311	\$32.11
4	Priority Plus Brochure	12,500	2.76%	345	725	\$125,544.68	\$9,625.00	3.55%	\$173.28	\$13.2850	\$115,919.68	\$0.0767	\$13.04
5	Priority Arts Brochure	75,000	0.55%	413	866	\$150,107.77	\$28,000.00	10.31%	\$173.28	\$32.3232	\$122,107.77	\$0.1865	\$5.36
6	Prospect Card	50,000	0.80%	400	840	\$145,559.05	\$26,950.00	9.93%	\$173.28	\$32.0833	\$118,609.05	\$0.1851	\$5.40
7	Brochure - General	50,000	0.50%	250	525	\$90,974.41	\$27,250.00	10.04%	\$173.28	\$51.9048	\$63,724.41	\$0.2995	\$3.34
8	New York Times Insert	20,000	0.40%	80	168	\$29,111.81	\$9,150.00	3.37%	\$173.28	\$54.4643	\$19,961.81	\$0.3143	\$3.18
9	Brochure - Target #1	5,000	0.60%	30	63	\$10,916.93	\$2,500.00	0.92%	\$173.28	\$39.6825	\$8,416.93	\$0.2290	\$4.37
10	Brochure - Target #2	5,000	0.60%	30	63	\$10,916.93	\$2,500.00	0.92%	\$173.28	\$39.6825	\$8,416.93	\$0.2290	\$4.37
11	Brochure - Target #3	5,000	0.60%	30	63	\$10,916.93	\$2,500.00	0.92%	\$173.28	\$39.6825	\$8,416.93	\$0.2290	\$4.37
12	Brochure - Target #4	5,000	0.60%	30	63	\$10,916.93	\$2,500.00	0.92%	\$173.28	\$39.6825	\$8,416.93	\$0.2290	\$4.37
13	Brochure - Target #5	5,000	0.60%	30	63	\$10,916.93	\$2,500.00	0.92%	\$173.28	\$39.6825	\$8,416.93	\$0.2290	\$4.37
14	Telemarketing	46,250	0.65%	301	631	\$109,396.72	\$82,750.00	30.48%	\$173.28	\$131.0761	\$26,646.72	\$0.7564	\$1.32
15	Lobby/Miscellaneous	8,721	0.80%	70	147	\$25,388.41	\$1,750.00	0.64%	\$173.28	\$11.9443	\$23,638.41	\$0.0689	\$14.51
16	Corporate Brochure	1,500	3.50%	53	110	\$19,104.63	\$1,364.75	0.50%	\$173.28	\$12.3787	\$17,739.88	\$0.0714	\$14.00
17	Fall Brochure / Big Book	50,000	0.50%	250	525	\$90,974.41	\$47,250.00	17.40%	\$173.28	\$90.0000	\$43,724.41	\$0.5194	\$1.93
18	Holiday Brochure	10,000	0.30%	30	63	\$10,916.93	\$6,450.00	2.38%	\$173.28	\$102.3810	\$4,466.93	\$0.5908	\$1.69
TOTAL		359,091	1.84%	6,623	13,908	\$2,560,070.73	\$271,479.75	100.00%	\$184.07	\$19.5194	\$2,288,590.98	\$0.1060	\$9.43
RENEWAL		5,500	77.86%	4,283	8,993	\$1,708,407.28	\$18,440.00	6.79%	\$189.96	\$2.0504	\$1,689,967.28	\$0.0108	\$92.65
NEW ACQUISITION		348,971	0.67%	2,340	4,915	\$851,663.44	\$253,039.75	93.21%	\$173.28	\$51.4850	\$598,623.69	\$0.2971	\$3.37

Chart #3: A Sample Cost Benefit Analysis

encompasses all of the key components of the marketing effort and will give the organization a unified approach to achieving success. As with the market research initiative, firms that specialize in this activity can provide assistance with building or implementing your process.

4. Are We Leaving Money on the Table?

In my travels around the country, I run into many arts organizations that are very particular in the way they operate. I am often surprised to run into boards and arts leaders who are so set in their operations that they lose sight of existing bottom line, revenue generating opportunities.

For instance, a theatre recently acknowledged that they mail about 50% of their advance sale telephone ticket orders to ticket buyers who request this delivery option. However, they would not dream of charging a fee for this form of customer service. Yet, this customer service initiative cost the theatre almost \$5,000 in annual postage.

No question, the customer service premise was sound, but the financial premise was a bit skewed. It took some time for them to realize that by charging \$1.00 per order to every patron wishing to have their tickets mailed would not only cover the cost of this service, but would produce a profit margin that would more than cover the time and materials involved in the ticket mailing process (i.e.; envelopes, ticket stock, brochures, postage, etc.).

This is just one example of money being "left on the

table." Have you taken a look at the details of your business operation? Are you missing revenue opportunities? At the end of each season re-evaluate and re-assess your operation. This is the time to ask tough questions. An introspective approach to this process can reveal important information about how your theatre operates and whether a paradigm shift, as Steve Wolff identified in Cleveland, is a worthy discussion for you and your Board.

As George Allen, the great football coach of the Los Angeles Rams and the Washington Redskins, once said, "The Future is Now!" In today's economic climate, the time to understand and assess the core business of your operation is now. By making sure your employees and board are aligned with industry best practices, and by reviewing, evaluating and initiating the recommended "back to basics" initiatives, you will be preparing your management team for growth and stability and ensuring the future success of your theatre.

Robert Friend has over 25 years of professional leadership in the non-profit and commercial arts, sports and arts technology industries. He has worked with and consulted for entertainment organizations throughout North America, assisting them in strengthening their financial base through enhanced audience development, marketing, fundraising and technology-based services and initiatives.

Currently Vice President of Sales & Marketing for Choice Ticketing Systems, Robert is an Adjunct Lecturer for the Brooklyn College Graduate Training Program in Performing Arts Management and the graduate program at the University of North Carolina School of the Arts. He also serves as a principal consultant for Strategic Entertainment Group, focusing on fundraising, marketing, sales and technology strategies for the entertainment industry. A graduate of Emerson College in Boston, MA, Robert is President of the Emerson College Alumni Association.