

Strategic Planning in the Arts: A Practical Guide

Building Earned Income

Selling the Arts

Increasing earned income demands the development of a focused, multi-faceted marketing effort. Arts organizations with a healthy stream of earned income have multiple ticket purchase options for their customers that are marketed via a comprehensive annual plan.

The potential size and variability of earned income for a performing arts organization is great. (Museums typically have less potential for earned income.) Therefore, creating an effective sales campaign at a reasonable cost is a central challenge for most arts organizations since traditional marketing vehicles are increasingly expensive and the dilution of their message is great in a glut of arts and entertainment advertising. (Smaller companies in larger cities face the most difficult challenge; the costs are the highest and the dilution the greatest.)

Arts organizations can be remarkably effective at turning small marketing budgets into substantial levels of earned income. Indeed, while Board members frequently suggest bringing in expertise from the for-profit sector to assist with marketing efforts, arts professionals could teach a great deal to the giants of industry about marketing efficiency. Nevertheless, in the current competitive environment, all arts organizations must do a better job of targeting audiences and focusing marketing expenditures.

For example, during a recession, the ticket buyers still most likely to buy are those with the inclination to buy early - frequently by subscription. These are the people who have the disposable income, who can afford a ticket. They are frequently also the ones who hold the arts in the highest esteem and are least likely to give up on the arts during a recession. It is important, therefore, to maintain or increase the effort devoted to direct mail and advertising used to create pre-season sales during poor economic times.

But as one makes these moves in marketing strategy, one must also evaluate their political and social implications. If one only works for pre-season sales, one limits the audience to the relatively affluent. Houses might be full, but they might not comprise the entire spectrum of the community. So one must look for techniques to build visibility while selling tickets to a larger audience than pre-season advertising alone can reach.

Building earned income while diversifying one's audience requires the creation of a comprehensive marketing effort that comprises a set of ticket purchase options including:

1. SUBSCRIPTIONS

Those organizations that perform for a substantial length of time in any one city have the opportunity to develop subscription offers of two or more performances. While subscription rates are falling due to reduced levels of discretionary income and the complications of scheduling attendance in advance, many organizations have successfully built subscription efforts by offering discounts, great flexibility in selecting performances, and subscriber-only benefits.

A great effort is made to attract subscribers since they offer two important benefits to arts organizations in addition to providing multiple sales: they help cash flow by securing funds before the season and they allow the artistic team more flexibility in selecting repertory.

Just as magazine subscriptions allow the publisher the luxury of collecting revenue before the costs of publication are incurred, so too do subscriptions help arts organizations by producing cash prior to the start of a season. This is frequently the time when cash is most needed - production and marketing costs are being incurred but no other earned income is available. Many theater companies, for example, survive throughout the summer months on subscription revenue.

Perhaps more important, though more subtle, is the impact on artistic flexibility. When a theater, dance or opera company knows that its subscribers will purchase a substantial portion of its house, it has the option to offer more innovative or risky programming as part of the season because so many seats will be pre-sold to subscribers. When one relies very heavily on single ticket sales, esoteric repertory can be a bigger financial challenge.

Subscriptions also reduce the impact of negative reviews on ticket sales. Those arts organizations without major subscription efforts are vulnerable to poor critical response. Those with strong subscription efforts are protected to the extent that their seats are pre-sold.

It is difficult to sell subscriptions for arts organizations with short, compact seasons since most people will not attend the same type of performance more than once in a short time frame. (There are always some who are so devoted to an organization or an art form that they will return many times even in one week, but these people will find the performances anyway and do not require a great deal of marketing!)

The cost of renewing a subscriber is also substantially less than that of finding a new subscriber or of selling the equivalent number of single tickets. The greatest net cost of any marketing effort is the amount of money spent reaching those individuals who do not purchase tickets. The more one can focus marketing efforts, the more profitable the campaign. The most focused marketing effort possible is to those who have subscribed in the recent past. These are the people who already understand your offerings and have demonstrated the willingness to spend their money on tickets.

This does not mean that one should take subscribers for granted. Indeed, each subscriber is an important asset. Great care should be taken to maintain a "relationship" with each subscriber. Calling or writing to each one during the year to strengthen this relationship is a good way to increase the odds of a subscription renewal.

2. GROUP SALES

Group sales can be the best friends of those arts organizations with many empty seats. Unsold seats are the biggest earned income waste. Unlike in retail sales where old inventory can be sold, even if at discount prices, "dead wood" at a performance is a complete write-off. In addition to the financial consequences of unsold seats, the negative impact on those audience members in attendance and on performers can be immense. Arts events are more exciting if the house is full.

Numerous empty seats can give the impression that the performance is not a good one, that buying tickets in advance is not necessary and that other people think there are better things to do.

While the most devoted arts patrons will not rely on the judgment of others, the marginal audience member will. (Donors as well will be disappointed to see that the organization they support is not of interest to a larger portion of the community.) Empty houses are the worst enemies of re-marketing and must be avoided assiduously.

Group sales fill empty seats quickly. Community groups, congregations, corporate groups, etc. are likely candidates for discounted group tickets. Even deep discounts result in some income and help fill the house.

The power generated by filling empty seats is great. The first time an organization that traditionally suffers from poor attendance sells out, the entire community, including funders, takes notice and everyone is encouraged to buy tickets earlier the next season.

Building a group sales program requires artistic and administrative planning. Groups tend to buy well in advance and will frequently want to know the repertory they will see before committing to the purchase. Personnel must also be dedicated to the effort of creating appropriate direct mail pieces, following up with telephone calls, completing the sales contract and meeting the individual needs of each group. Many arts organizations have group sales staff; others use interns. In either case, sincere attention to each group will encourage them to return in the future - a very low cost re-sale.

One way to increase group sales is to ask corporations to purchase blocks of tickets for the benefit of other not-for-profit organizations they support. For example, tickets for a performance by a symphony could be purchased and contributed to a children's service agency. This way the corporation can contribute to two organizations at once. The agency benefits from the exposure the children get to the concert; the symphony benefits from increased earned income and the service to the community. This offers a good opportunity to build a relationship with a new corporate donor. By providing visibility for that corporation, through signage, program listing, or other methods, it is very possible that increased support may be forthcoming.

3. SINGLE TICKETS

Single ticket sales account for the majority of earned income for most performing arts organizations. Yet they are also the most expensive to market and are the least secure sales, affected by poor reviews and bad weather.

Organizations that sell a large quantity of single tickets must wait until the end of the season to know their earned income. This means that a substantial in-season marketing effort will be essential to ensure strong sales. (Organizations that have strong pre-season subscription, group and single ticket sales have the option of reducing the amount, and hence the cost, of the in-season campaign.)

The key determinants of the level of ticket sales are the quality and the accessibility of the art. There is no marketing program that can build *sustained* sales for poor performances or exhibitions. There are, however, many marketing tools that help sell subscriptions, groups and single tickets. Successful organizations create effective campaigns comprised of selected methods used in an organized, timely manner. They include:

4. DIRECT MAIL

Direct mail has traditionally been one central method for pre-selling a season to subscribers, groups and single ticket purchasers. Direct mail has the advantage of giving the marketer access to the home or office with the opportunity to convey a great deal of information at relatively low cost.

Yet the costs of printing and mailing are rising and marketers face the challenge of improving the focus of their direct mail campaigns. It is not unusual, in fact, for organizations to reduce the number of items mailed substantially while retaining the same level of revenue by focusing on mailing productivity. While the size of any direct mail effort will depend upon the size of the organization, its marketing budget, and its earned income potential, direct mail efforts must be focused. Too often, arts organizations fail to measure the net revenue (ticket sales minus marketing costs) of their marketing programs. For example, list purchasing, a common approach for building a mailing list, is not necessarily the most effective way to build net revenue. The costs of buying the lists, printing the additional brochures and mailing them may outweigh the marginal revenue earned. Coding the return labels is a simple method for tracking the value of a given list to determine whether it should be purchased again the following season. This type of analysis is essential for ensuring that marketing budgets are spent wisely.

The design of a direct mail piece is always the subject of endless discussions among executive directors, artistic directors, marketers and other interested personnel. Clearly any design of any organizational publication must be consistent with the artistic perspective of the organization. Yet when designing marketing materials, it is also essential to remember that they are meant to capture the marginal sale. The most loyal audience members will buy tickets anyway. These audience members simply need to know when and where the performances will be held and how to purchase tickets. This form of marketing, informational marketing, is easy and inexpensive.

To the marginal buyer, however, we must convey a reason for purchasing tickets. We must convince them that they want to buy tickets. This form of marketing, missionary marketing, is more difficult and must influence the design of all marketing materials, including direct mail pieces. Brochures and other mailers must capture the excitement and beauty of the work. Too often, organizations use images and designs that are beloved by insiders but not as interesting to the marginal buyer. By "preaching to the choir," we lose the opportunity for marginal sales.

The amount of information conveyed by the mailer should also depend on whether we are simply informing our audience that the organization is performing or are trying to convince new audiences that they really want to attend. For pre-sold performances, including annual *Nutcracker* performances by most ballet companies, one only need tell when and where.

Nutcracker needs little explanation. For less well-known repertory, it is better to do a stronger piece with a focused mailing list than to flood the market with an inadequate message.

2. POSTERS

Many arts organizations have relied upon posters as a major marketing vehicle. This is especially true of organizations with very limited budgets or those whose audiences are confined to a small geographic area (e.g., university campus).

Posters can be a support to an organized marketing effort and, in some communities, have become a primary vehicle for selling the arts. But posters have limited effectiveness for most large arts organizations and should be considered complements to other marketing initiatives. Posters are purely informational, offering very little opportunity for conveying any detailed messages. The name of the organization and the dates and location of the performances are virtually all that anyone can read and remember from a poster. This is typically not enough, even if the design is enticing, to convince a marginal buyer to purchase a ticket.

3. PRINT ADVERTISING

Print advertising has been the dominant single ticket marketing technique for many arts organizations. The effectiveness of print advertising in selling subscriptions, except for those organizations of the greatest visibility, however, is low.

Once a budget for a single ticket print campaign has been established, the central decision is size of advertisement versus frequency of placement. Some argue that large advertisements are essential to gain attention. Others suggest that running more, smaller advertisements has a greater impact than a few large ones. A mix of large and small is, perhaps, the most effective approach. Rather than alternating large and small advertisements, however, place the larger advertisements early in the season. This allows the reader to be informed at the beginning of the run. Not only does this missionary marketing gain marginal sales, it also helps to fill the first few houses - a central challenge for any marketer. Once the critics begin to review the performances and word of mouth becomes an asset, the advertisements can be substantially smaller, simply serving as a reminder that the season is of limited duration and reviewing the repertory.

4. ELECTRONIC ADVERTISING

Density of coverage is of particular concern when considering an electronic media strategy since each placement is very expensive. Yet running a radio advertisement only a few times is not likely to have much impact and hardly justifies the production costs. For this reason, broadcast media should only be considered for those organizations that have a substantial advertising budget and can support the purchase of a sizeable quantity of radio or television time. (Often

radio time, either for advertisements or on-air promotions, can be traded for tickets to performances - a good way to stretch a marketing budget.)

5. TELEMARKETING

Telemarketing has been a very effective method of selling subscriptions and single tickets in numerous markets. Efforts to build telephone sales have been particularly profitable for organizations that are very visible and underwrite sizeable, professional telemarketing campaigns. Amateur efforts predictably do not work as well. Volunteer callers lose interest, the telemarketing scripts are not as effective, and the scale of the effort is too small to earn a substantial return. As with every element of a marketing campaign, it pays to work with talented experts. The costs of running advertisements, printing and mailing brochures, and implementing a telemarketing campaign are large; it is wise to spend some money to ensure that the design of these efforts justifies the implementation cost.

6. ON-SITE RE-MARKETING

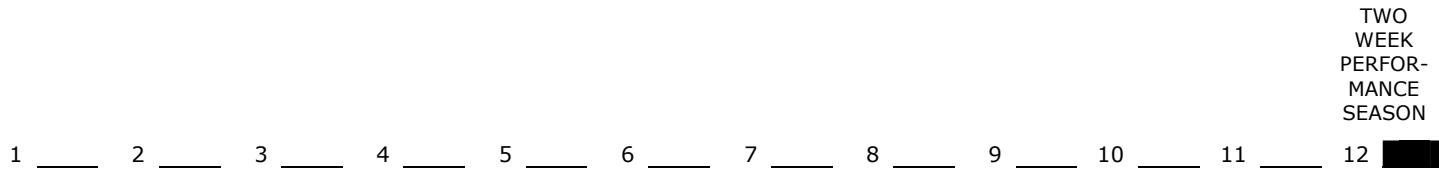
Too many arts organizations ignore the best opportunity for the most focused marketing possible - re-marketing to those attending the organization's productions. Whenever possible, marketing for the next season should begin during the current one. Advertisements in programs, signage and other promotional materials can be the most effective, least costly marketing vehicles.

ANNUAL CALENDAR

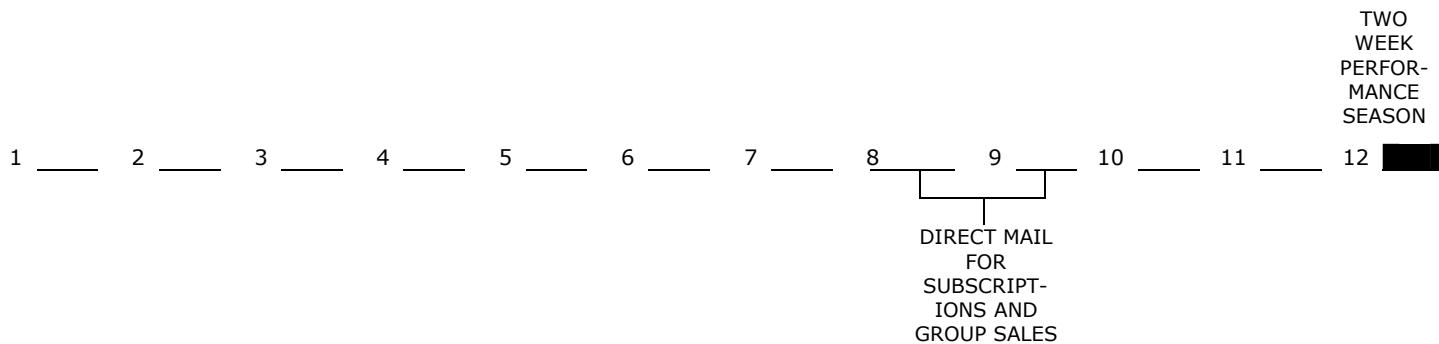
Each of the elements described above must be considered part of an integrated marketing strategy. In fact, creating an annual marketing calendar is an essential tool in planning an effective campaign. Since repeated exposure to an organization's message is vital, each marketing tool becomes more effective if it is complemented by other approaches including an aggressive public relations effort. The mix of company-sponsored promotions and third party endorsements (via public relations vehicles) is especially potent.

The marketing calendar begins on the day after the prior season ends and extends through the last performance of the current season. (On-site re-marketing actually begins *during* the prior season.) The complexity of the calendar will depend upon the number of times the company performs each year and the span of time in which these performances occur.

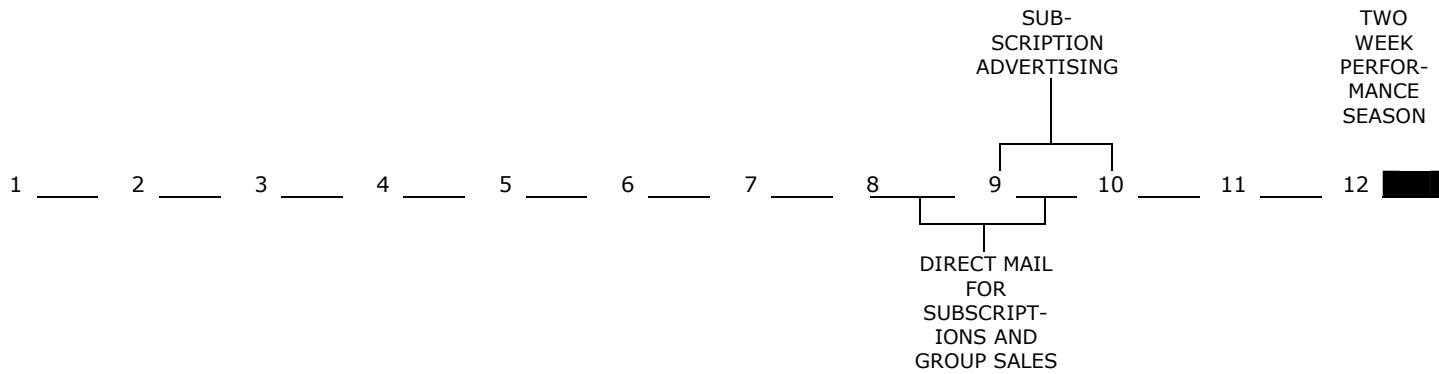
Annual Marketing Calendar



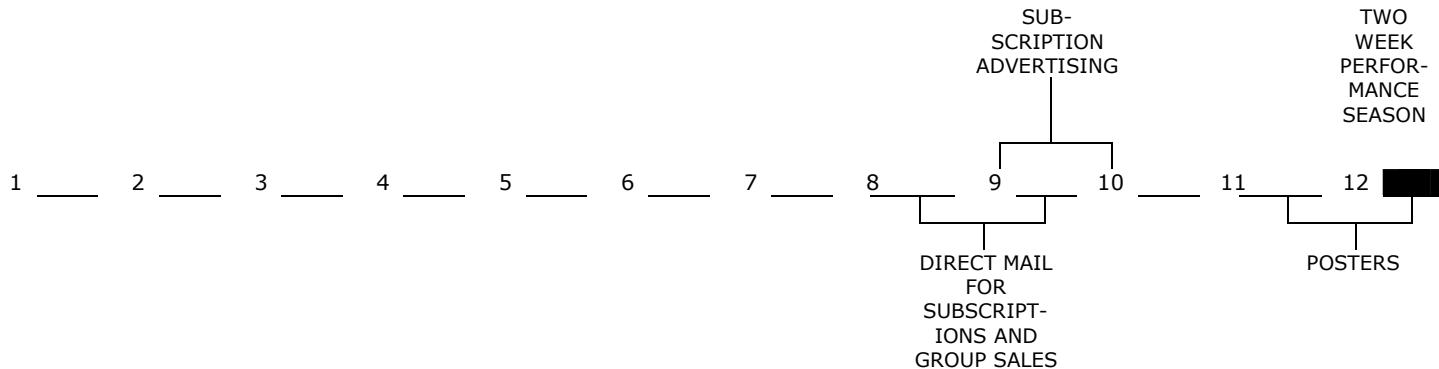
The direct mail pieces – for subscriptions and group sales – are typically mailed two to four months prior to the season.



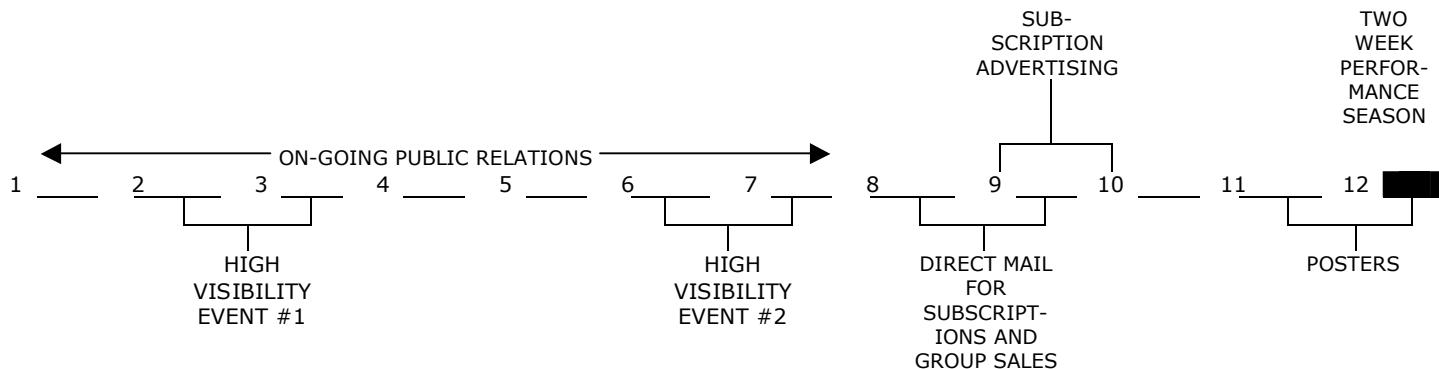
While subscription advertising may be initiated early in the year, the majority will be placed just prior to and during the season.



Posters will also be placed just prior to the season.

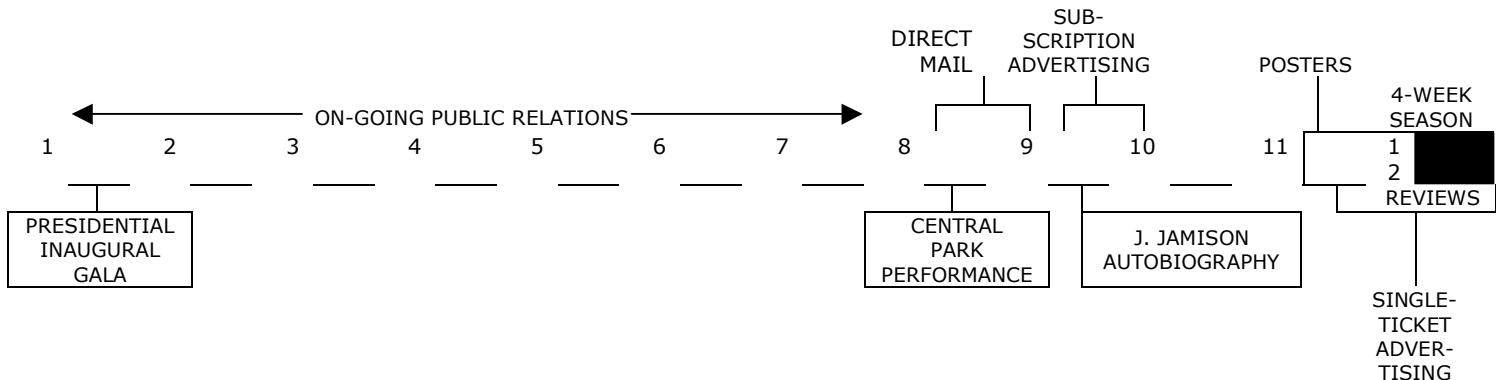


Since print and electronic advertising and direct mail programs are so expensive to implement, they must be carefully rationed. Public relations activities can and should be spread throughout the year to keep the organization in the minds of ticket purchasers and donors.



The challenge, therefore, is to develop a series of newsworthy events that can keep the company "hot." Special events should be scheduled at least once each quarter. In 1993, for example, the Alvin Ailey American Dance Theater performed at the Presidential Inaugural Gala in January (for 80 million television viewers), performed in New York's Central Park in July for 20,000 fans, publicized the publication of the autobiography of its Artistic Director and a book of company photographs in the autumn, and produced a star-studded 35th anniversary gala to kick off its New York season in December. These public relations opportunities and a direct mail, advertising and poster campaign (with provocative photographs by Annie Liebovitz) produced record box office *and* fund-raising revenues.

ALVIN AILEY AMERICAN DANCE THEATER 1993 MARKETING CALENDAR



While most organizations do not have the resources or the accessibility of the Ailey company, every arts organization has the ability to build a substantial marketing calendar. The nature of the campaign depends on the nature of the art. Accessible arts organizations can employ the broader scale marketing vehicles. More esoteric arts organizations must rely more on editorial copy than on paid advertising. Regardless of the nature of the art, however, a carefully conceived marketing strategy invariably increases earned income.

OTHER EARNED INCOME

Ticket sales and museum admissions comprise only one portion of earned income; tour fees for performances and museum exhibitions, merchandise sales, food concessions and space rental can all contribute considerably to earned revenue. For museums, in particular, these sources can be especially important given the relatively small contribution made by admissions.

Apart from tour fees for performances and exhibitions, most sources of earned income are attendance-related. If an organization can attract a large audience, food concession sales, merchandise sales, etc. should also be substantial. But there are specialized skills required to manage these activities. Many arts institutions successfully franchise them, reducing the risk and the management attention required.

Successful tours depend on the same factors that generate a large home attendance - high quality presentations and strong visibility. Some arts organizations have an easier time receiving tour dates in certain geographical areas (many modern dance companies, for example, have an easier time getting bookings in Europe than in the United States). Yet as a rule, those arts organizations

that sell well at home will sell well on the road if public relations efforts are broadened to reach national and international media.

SALES PLANNING ISSUES

Each of the following issues should be addressed in the sales plan:

- What is the most effective way to attract an audience for each production/exhibition?
- What is the availability of subscription seating?
- How should the organization sell subscriptions?
- To whom should the subscription campaign be aimed?
- How should the performances be packaged?
- Should the organization offer a subscription discount?
- Should the organization offer subscription benefits?
- Who should the organization target for group sales?
- How many single tickets need to be sold?
- Which marketing methods will be most effective for selling single tickets?
- Is direct mail a cost effective option?
- How will the organization build a mailing list?
- Do the mailers accurately convey the organization's artistic perspective?
- How will the effectiveness of each mailing list be tracked?
- Would posters be effective?
- What information should the posters convey?
- When and where should the posters be hung?
- What is the budget for the print campaign?
- How important is the size of each advertisement?
- How often should advertisements be placed?

- Where should the advertisements be placed?
- Is electronic advertising appropriate for the organization?
- Can the organization afford electronic advertising?
- Is telemarketing an effective marketing method for the organization?
- Can the organization afford to implement a proper telemarketing campaign?
- Who is the target audience?
- Which marketing vehicles are going to be employed for the organization's on-site re-marketing?
- Has a public relations campaign been initiated?
- Have each of the organization's marketing elements been scheduled to achieve maximum effectiveness?