



The bench connection - *benchmarking your business and/or marketing performance against other organisations*

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What is benchmarking and what is it for?

Ever get the feeling that you are on your own? That the challenges your organisation faces are unique? That there is nowhere to go to get really decent objective advice about how to improve business or marketing performance?

We all share those feelings. And, as well as the opportunity to network and share experience and expertise available through the Arts Marketing Association (AMA) and other networks which helps to lessen them, here is another idea to help: benchmarking.

Benchmarking is a way of measuring performance in both marketing and business terms against that of other organisations with which yours has something in common (e.g. art form, industry sector, scale, market place).

Benefits of benchmarking include:

- The chance to measure performance against others (are your programme sales as good as they could be?)
- Evaluate campaigns (why did that gallery get so many more attenders to the same touring exhibition?)
- Discuss issues with similar types of organisations (do you get a level of funding from your local authority that matches others – if not, why?)
- Gather evidence for both internal and external advocacy/pr work (answers at your fingertips when Trustees ask why you don't run a marketing operation like the Royal Opera House)
- Use the knowledge to inform future marketing and business planning (understand why it would be a good business idea to double the amount of space in your front of house areas, and project accurately how much additional income you'll be able to generate)

Benchmarking can be as simple or as complicated as you want it to be. It already happens at an informal level in most organisations, but it only becomes a really powerful tool when it's focused and structured more formally.

Case study – Norwich Theatre Royal (NTR) and benchmarking

For the last ten years, Norwich Theatre Royal has taken part in a benchmarking project along with fourteen other large-scale regional presenting theatres. We compare information on business performance in a number of different ways, mostly to do with sales: of tickets, programmes, merchandise, catering, sweets and ice creams. We also compare average price paid, payments to producers, wage costs, staffing levels, expenditure on training and marketing, number of Friends and income generated, business rates, maintenance costs, capital expenditure, sponsorship income, grants and local authority support.

Membership of the group has fluctuated slightly over the years, but the majority of participants have stayed the same. The usefulness of the project should be self-evident, but its longevity is due to several factors:

- Primarily, it is business-led, not led by any other agenda or external influence
- The information fits onto a single sheet of paper
- Its main focus is on sources of income
- It is confidential – we all see the individual figures for each theatre, but undertake never to show them to anyone else

What we can show is our own set of figures against an average of all the other participating venues. See below:

Large scale presenting venues benchmarking figures - 2005/06

	<i>Averages excl. Norwich</i>	<i>Norwich Theatre Royal</i>	<i>Difference</i>
Average Capacity	1,216	1,320	104
Number of Performances	334	408	74
Annual Capacity	394,717	538,560	143,843
Total Seats Sold	230,516	362,279	131,763
%age capacity filled	56.42%	67.27%	10.85%
Total Net Box Office	£3,326,283	£5,552,293	£2,226,010
Average ticket price paid	£13.96	£15.33	£1.37
Payments to Companies	£2,524,497	£4,386,406	£1,861,909
Payments %age Income	77.03%	79.00%	1.97%
Programme Profit	£31,030	£54,316	£23,286
Prog. Profit/Admission	£0.12	£0.15	£0.03
Merchandise profit	£21,629	£18,327	-£3,302
Merchandise profit/admission	£0.09	£0.05	-£0.04
Catering profit	£87,143	£95,726	£8,583
Catering profit/admission	£0.38	£0.26	-£0.11
Confectionary & Ices	£82,888	£106,285	£23,397
C'ary & Ices profit/admission	£0.36	£0.29	-£0.07
Total Profit	£210,570	£274,654	£64,084
Total Profit/Admission	£0.91	£0.76	-£0.15
Salaries & Wages Costs	£1,004,841	£894,318	-£110,523
Full Time Equivalent Posts	50	100	50
Staff Training	£4,739	£14,019	£9,280
Marketing Expenditure	£326,045	£500,885	£174,840
Marketing Spend/Seat Sold	£1.35	£1.38	£0.03

Friends Membership Numbers	1,615	10,200	8,585
Friends Membership Income	£23,838	£178,253	£154,415
Business Rates	£35,395	£13,859	-£21,536
Maintenance Costs	£88,337	£54,765	-£33,572
Capital Financing Charges	£212,480	£0	-£212,480
Capital Expenditure	£233,924	£62,100	-£171,824
Sponsorship Income	£42,969	£35,097	-£7,872
Grants	£54,162	£0	-£54,162
Local Authority Support (net)	£545,963	£93,986	-£451,977
Net support per seat sold	£2.60	£0.26	-£2.34

For Norwich Theatre Royal, the key findings from this year are:

- NTR played to over 13% higher CAPACITY than the average
- Average ticket YIELD is higher than the average
- Box office RETENTION compares well
- ANCILLARY SALES from fixed points are less than half the average
- Ambulatory ANCILLARY SALES compare well
- Staff training budget is six times the average
- Friends' numbers are nine times the average
- Friends' income is ten times the average

(Note: Clear definitions are needed to ensure that comparisons are valid, e.g. does marketing expenditure include salaries or not?)

This information has been one of the drivers for our current capital appeal and modernisation plans which, by the end of 2007, will have delivered a new Theatre Royal with double the amount of foyer space (for a 1300-seat venue, we have cramped foyer space at the moment). Hitting the national average in terms of sales per head for programmes, merchandise, catering, sweets and ice creams would generate an additional £50,000 of income annually.

These figures are published each year in our annual survey, along with detailed information on our audiences and where they come from, event types, concessions, income and expenditure, and economic impact. The publication of these surveys, of which the benchmarking information is an important part, has resulted in the following outcomes:

- Uplift in local authority funding of 15%
- Good internal relationship with Trustees
- Positive PR
- Recognition of NTR as a serious business by the business community
- New business objectives (e.g. modernisation plans)

Other ideas for formulating performance indicators might revolve around the following headings:

- Economy (e.g. income and expenditure, subsidy per head of population)
- Efficiency (e.g. staff costs per seat sold/admission, staff costs as a percentage of expenditure)
- Effectiveness (e.g. number of complaints received, percentage of ticket sales/

- admissions from a particular area)
- Equality (e.g. concessions as a percentage of tickets sold/paid admissions, number of first time bookers/attenders as a percentage of the total, checklist of facilities for people with disabilities)

These ideas are taken from a set of performance indicators developed by local authority-run venues a few years ago. The DCMS, Arts Council England and local authorities are now working together 'to set standards for local authority arts services' (*ArtsProfessional* magazine, 12 March 2007, page 2). This will certainly include elements of performance measurement, a concept anyone working in the public sector will be very familiar with, and benchmarking is seen as playing a key part in helping to raise standards.

But you will know your organisation and its circumstances best, and therefore what would be the most appropriate indicators to measure.

Other benchmarking schemes and ideas

Other benchmarking schemes either running or being piloted at the moment include:

- Audiences Yorkshire regional theatres benchmarking project (www.audiencesyorkshire.org.uk, click on Maximise)
- The 'Big 10' UK regional producing theatres are setting up a scheme similar to the one referred to in the case study
- Audience Data UK (ADUK) pilot projects across a range of scales, locations and art forms – results from these projects will be published on the ADUK website (www.aduk.org) later in 2007
- A number of projects across the UK, facilitated by the use of proprietary software from Purple Seven (www.purpleseven.co.uk), allowing arts organisations to compare some basic stats on a regional basis

Setting up your own benchmarking project

The first and most important thing to decide is who to benchmark with. Already facing a demanding workload, you will need to be sure that you are making the most valuable use of your time. So, what is the most urgent context for you and your organisation – is it earned income, effectiveness of marketing spend, quality of visitor experience or something completely different? Once you know this, then you can start to find potential partners. At this stage, it is crucial to have agreement internally, especially from senior staff and leaders. Then their support can be mobilised when you are contacting anyone else.

A benchmarking project could then involve the following steps, although the requirements of individual organisations might vary:

- decide on areas of primary focus,
- identify appropriate performance indicators,
- find which organisations are performing 'best' against each performance indicator,
- share information in order to understand how they achieve such high performance,
- look at actions to close the gap,

- implement the change,
- set up a monitoring system to track achievement,
- review the indicators from time to time.

And it is best to try and start as simply as possible: get the easiest information to gather, and start comparing it with others. That way, everyone involved can begin to see the usefulness and, most importantly, begin to trust partners. This will make it much easier in the future to develop the scope and ambition of your project.

Final hints and tips

- Keep it practical – the information has to be useful to each participating organisation
- It should not be a burden, administratively or logistically, or it will not get done
- Do not try to do everything – data can quickly become addictive and distract you from other important tasks
- Decide what to leave out
- Establish ground rules for sharing information – trust is paramount
- Assemble datasets as you go along – do not leave it until you have finished the activity you want to measure

With thanks to Kate Sanderson, who co-presented two sessions on benchmarking with me at the 2006 AMA Conference in Cardiff.

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