

John Holden, Associate, Demos and Tim Baker, Director, Baker Richards Consulting
Comprehending, creating and communicating value

John Holden is an Associate at the independent think-tank Demos and is a visiting professor at City University. A former investment banker with Masters Degrees in law and art history, his interests are in the development of people and organisations in the cultural sector. He has worked with organisations such as the DCMS, ACE, Museums Libraries and Archives Council, Creative Partnerships and Screen England as well as individual organisations such as Sage Gateshead and the Royal Shakespeare Company. He is the author of a number of works including *Capturing Cultural Value*, *Cultural Value and the Crisis of Legitimacy* and *Creative Reading*. He is a member of the Strategy Board of the Clore Leadership Programme, a Fellow of the Royal Society of the Arts and a member of the Advisory Board of of Arts and Humanities Research Council.

Tim Baker is Director of Baker Richards Consulting, which specialises in pricing, data mining and marketing to help cultural organisations worldwide attain greater artistic freedom by realising their commercial potential. Baker Richards now also represents the research work of Alan Brown of WolfBrown and is a partner in a new US company, The Pricing Institute. Prior to his consulting career, Tim spent seven years as Marketing Director of the Scottish Chamber Orchestra before becoming Head of Marketing at the London Symphony Orchestra. He is author of *Stop Reinventing the Wheel (ABO)* about marketing classical music and has been Chair of the AMA and a board member of Britten Sinfonia. A French horn and trumpet player, he is also a devotee of Scandinavian jazz.

This session raised the question of how we see our business models developing in response to the changing roles of the expert, the market and the public in the current cultural landscape? John and Tim provided two viewpoints on the role that arts professionals have in comprehending and delivering public value. John presented ideas from his latest publication, *Democratic Culture*, in which he explores the need to understand value from a range of different perspectives in order to start to square artistic vision with engaging audiences. Tim explored how arts organisations can create and package relevant value in order to engage a diverse range of people with the arts. He demonstrated the importance of understanding what customers want and the 'value' they are seeking, how to translate this knowledge into the 'value' we offer, and how to communicate this more effectively.

The Value of What?

John Holden began by asking what it is that we are supposed to be valuing. The arts and culture yes, but what is culture? This is an important question because the way that politicians think, the way the funding system is structured and the way that organisations deal with the concept all derives from these basic points. We are in a place where we are moving from one conception to another.

The great cultural theorist, Raymond Williams as stated in *'Keywords'* (1974), believed that culture meant either the high arts or it could have a more anthropological definition – all the

things that give us meaning. These two things were oppositional. One applied to the individual, the other to the mass. There was a 'natural' hierarchy of quality.

Arts marketing was about giving as many people as possible 'access' to something that was 'provided' or delivered to them.

Now we need to have a very different idea of what culture means. For practical purposes it is made up of:

- Publicly funded culture: defined through the decisions about what is funded. Gatekeepers define what the State sanctions as culture.
- Commercial culture: this ultimately the decision of the market, though there are gatekeepers here too, in record companies in the West End etc.
- Home-made culture: you can do what you want and communicate and share it with other people. This has seen the biggest expansion in the last few years.



These three spheres have different characteristics but are completely interwoven and operate as a network not as a set of silos.

The implications of this model are that the debate about quality changes – it can be found in rock music or on TV as much as in the theatre or gallery. It is no longer about Shakespeare being better than Coronation Street but about whether a tv programme (for example) is good or not.

We can expect new organisational forms and communications strategies as artists seek to monetise their work and organisations look to diversify their income streams.

There is also a shift from the public being purely consumers of culture to being authors/readers; producers/consumers; audience/participants.

As Charlie Leadbeater states, what people now want from culture is to enjoy, to see or to do – there is no 'moral' ranking between them – each can be valuable on different occasions.

The way people organise their cultural lives is shifting – therefore organisations need to be more responsive to what people want from the arts and the ways in which they want to engage with them.

So in this model, unlike the old one, culture isn't something 'provided' or 'delivered' but something that we make together with artists, and make for ourselves.

What does this new model mean for 'access and participation'? I see it (and I'm influenced here by Bill Ivey, but it's also in *Democratic Culture*) in terms of what people need to lead a rich cultural life:

- the physical and intellectual ability to engage with the art and culture of the past be that built heritage or shakespeare
- the right to be in touch with contemporary art and artists
- the ability to understand other cultures and global culture
- the skills and confidence to make their own culture such as the ability to play an instrument, spaces to perform and exhibit
- the right to a thriving arts infrastructure and healthy arts organisations that are financially viable, sustainable and well-run
- the right to be accurately represented through culture – which is difficult in a heterogeneous society

In terms of those rights, there are still problems of exclusion to what I earlier termed the high arts. People are kept out by:

- cultural snobs – existing audiences
- arts sponsors who only want ABC1s in the audience
- the logic of the avant-garde: “if it is art it is not for all, if it is for all it is not art” (Schoenberg).
- critics and the cognoscenti who don’t want to share what they have
- professionals who are dismissive of ‘amateurs’

This new model of culture has a number of implications:

- a) the explosion in cultural activity affects the economy and the possibilities for work
- b) the way that we communicate with each other through culture has implications for international relations and the way we live together
- c) but most importantly identity: we are what we read/watch/listen to and again, this reinforces the idea that culture is not something given or provided by one group to another, but something that we all make together.

Value

This brings me onto the idea of value. Value is a subjective concept. I cannot force you to value something; everyone places their own value on things. It can operate at the level of the individual (Intrinsic) or at a combined community or social level (Institutional).

This is unlike benefit, which is objective and measurable (Instrumental)

Value and benefit can be produced by product or by process. We therefore have to accept that the maximisation of value involves creating critical responsive capacities on the part of the person who is engaging with culture. This brings us back to Bill Ivey’s list of rights.

Experts can't simply tell people what is best any more. There is public interest in expertise but no longer a slavish deference to it.

What we should be aiming for is a relationship of mutual respect between public and expert, between arts organisations and the public.

[John Holden then handed over to Tim Baker]

My Artistic Director doesn't understand me

John's paper offers a compelling diagnosis of the underlying power relationships that make arts marketing so difficult. I cannot agree more that we need to stop artificially separating the three spheres of culture – publicly funded, commercial and home made. And I was particularly struck by his description of the gatekeepers who enforce this separation and control access to culture ... the avant gardists, cultural snobs and the malign experts. Or as we like to call them, artistic directors.

'My artistic director doesn't understand me' has been a recurring theme over the fourteen AMA conferences I've now attended – and I'm glad to see it being addressed head on at this conference. Maybe we are at last getting over it and trying to find ways forward.

John's paper goes a long way to explaining why creating engagement between artistic excellence and the public continues to prove so difficult. However, I don't think we can just blame the powers that be for making us do marketing with our hands tied behind our backs – there is still a lot that we as arts marketers need to address.

The key lesson, I think, is to assert the truism that marketing is everyone's responsibility and only when you cover all the bases does it really work....

It's my contention that the really simple concept of VALUE can help to bind us together in this common purpose and cut across the three spheres of culture.

What price value?

John has already explored three kinds of value and talked about its subjective nature, and I want to pursue that in explaining what I mean by value in a much more prosaic way. I've used this story so many times I wonder there's anyone hasn't heard it yet, but it seems to get my point over well....

I'm doing my shopping in a supermarket and I find a tub of margarine called Benecol which apparently can reduce my cholesterol, but it's £4. I'm not going to buy a tub of margarine for £4 so I put it down and go on my way. Then I see a bottle of wine – Zinfandel – £4 – and I think '£4 – what a bargain!'. The point is, that it's not the £4 as such that is the issue but the value that I associate with what I'm being offered that is important.

We are all, all the time, making these sub-conscious calculations about the relative value of the huge range of options we are presented with in modern consumer society – in choices about leisure activities, just as much as about cars, clothes, computers and of course, wine. This is what drives our perceptions of 'value for money', but perhaps more importantly, also 'value for time'.



What I have come to realise over hundreds of pricing projects around the world is that price and value are two sides of the same coin. If you don't create and communicate relevant value, price is irrelevant.

Bill Clinton coined this expression 'It's the economy, stupid' when asked what it took to win a Presidential election.... A bit out of date, now (I couldn't make 'we can do it' fit) - this slide is actually stolen from a presentation by Andrew Curry of the Henley Centre at the AMA

Conference in 2002, pointing out that value was the key concept for us to consider in bringing art and audiences together. But this recycled slide (to put a more positive spin on my plagiarism) kind of makes my first point about the issue we, as arts marketers, need to address: our lack of corporate memory.

Arts marketing has come a long way in the roughly twenty five years since we stopped calling it publicity. But one of the weaknesses I've observed over the years is our tendency to get obsessed with the latest thing – now it's twitter, ten years ago it was Test Drive, twenty years ago it was telephone sales and in between we've grasped and discarded countless other exciting new concepts – many of them perfectly valid tactics that we could still be using.

At risk of using another out of date and discredited catchphrase, I want to suggest that we should be getting back to basics. And I think that the simple concept of value offers a hook to hang it on: one that reminds us of the basics of what we're trying to do, while providing a backbone to the tactics, old and new, we use to implement our plans.

I also think that this simple concept provides an idea that can bring together the component parts of arts organisations responsible for putting art and audiences together and cut across the three spheres of culture that John talks about.

The Henley Centre presentation is probably what started my obsession with value. I've been doing a lot of reading on the subject since and think that the concept of value can be boiled down to three constituent parts.

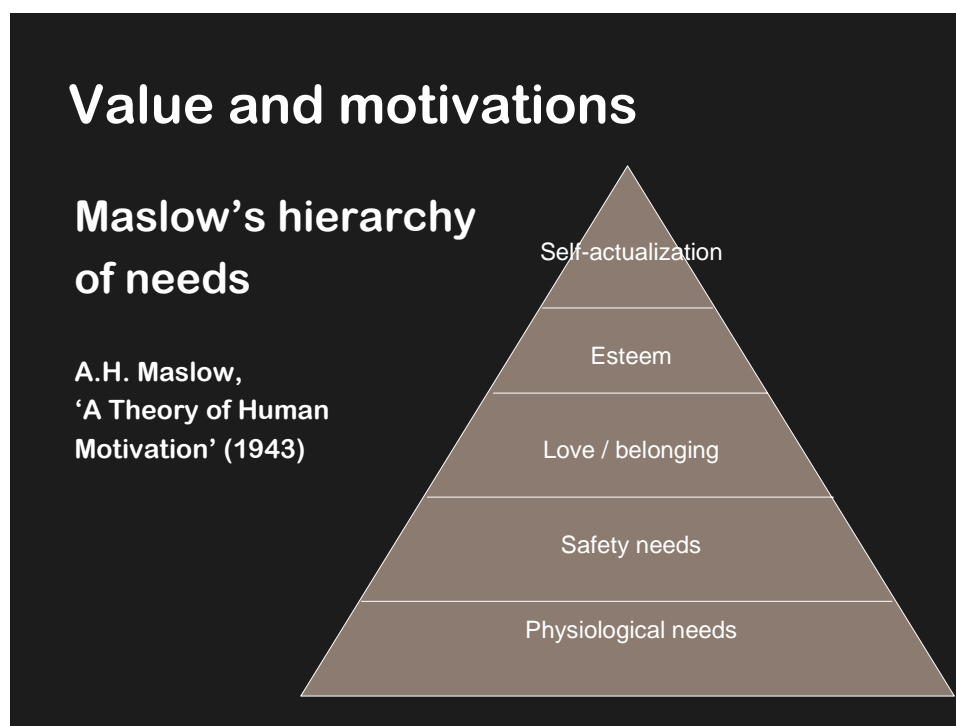
If we can

1. Comprehend (understand) what value people are seeking
2. Create relevant value to meet their needs
3. Communicate that value effectively

then we can make the connection between art and audiences that drives us all.

To understand what value people are seeking, and thus how we can create and communicate value to meet their needs, I think we need to start with the underlying motivations that drive people to seek value experiences. And I think we can still do worse than going back to the Hierarchy of Needs first outlined by Abraham Maslow in 1943.

I'm sure most of you have read, or at least heard of Maslow's work, so I'm only going to explain it very briefly.



Maslow proposed a hierarchy of needs in five levels, in order of importance; the lowest associated with basic physiological needs rising to a peak, associated with what he called 'self-actualization' needs, related to personal identity and sense of purpose.

For the most part, physiological needs are obvious - they are the literal requirements for human survival. If these requirements are not met (with the exception of clothing and sex), the human body simply cannot continue to function.

Safety needs have to do with people's yearning for a predictable, orderly world in which injustice and inconsistency are under control, the familiar frequent and the unfamiliar rare.

After physiological and safety needs are fulfilled, the third layer of human needs is social. This psychological aspect of Maslow's hierarchy involves emotionally-based relationships in general, such as: Friendship, Intimacy, Having a supportive and communicative family.

Humans need to feel a sense of belonging and acceptance, whether it comes from a large social group, such as clubs, office cultures, sports teams, professional organizations; or small social connections (family members, intimate partners). They need to love and be loved by others.

All humans have a need to be respected, to have self-esteem, self-respect. Also known as the belonging need, esteem presents the normal human desire to be accepted and valued by others. People need to engage themselves to gain recognition and have an activity or activities that give the person a sense of contribution, to feel accepted and self-valued.

The motivation to realize one's own maximum potential and possibilities is considered to be the master motive which we're all striving towards. In Maslow's hierarchy of needs, the need for self actualization is the final need that manifests when lower level needs have been satisfied.

Maslow later added a further higher level, called 'self transcendence' which he estimated would only ever be realised by 2% of the population, a kind of 'peak' experience (mystic, sacral, ecstatic) with illuminations or insights and associated with creativity, humility, intelligence, and divergent thinking

The lower layers of the pyramid are what Maslow called "deficiency needs". Deficiency needs must be met first. The higher needs in this hierarchy only come into focus when the lower needs in the pyramid are met. Once an individual has moved upwards to the next level, needs in the lower level will no longer be prioritized. However, if a lower set of needs is no longer being met, the individual will temporarily re-prioritize those needs by focusing attention on the unfulfilled needs.

I think we are all at some level concerned day to day with all of these needs. Or rather, meeting these needs in order of importance is what drives our motivations and ultimately the value we seek in all our transactions and relationships.

Chip Conley feels the same. He set up a very successful chain of boutique hotels in California – an experiential product that I think has many parallels with the arts – and claims to have taken his inspiration from Maslow. I confess the book is not exactly a 'must-read', but it offers an interesting way to understand how Maslow's hierarchy can be practically applied to the business of understanding, creating and communicating value.

His book, as the title suggests, is mainly focussed on the benefits in terms of customer loyalty, that derive from striving to offer 'peak experiences' which, in the case of his hotels he defines as 'identify refreshment': he wants all his customers to feel 'a little more funky, cool and irreverent'. Well it is California....

However, he is just as clear that, and I quote: 'if we don't get the foundational basics right, most of our customers aren't going to be all that interested in aspirations or the art on the walls'. The foundations include a comfortable bed, good parking, friendly staff and making the customers feel special.

And interestingly, because it is at the very base, physiological level, he later observes 'sex truly defines many people's hotel experience'. And talks about the 'get re-aquainted' package they designed, specifically targeted to affluent new parents who need time and space to reconnect without distractions.

Peaking too soon?

But Chip Conley's title is particularly apposite because I think one of our problems – arising again, in part, from John's diagnosis, is that we focus too heavily on the peak, at the expense of the lower levels.

For self-actualization, read artistic excellence. Or, with more nuance, the intrinsic impacts that Alan Brown has spoken about at previous conferences: aesthetic growth, spiritual enrichment, flow, getting lost in the moment.

Now, this is not to say that artistic excellence isn't important. Getting lost in the moment is a crucial part of most music or theatre performances. And like many – but not everyone – I want to grow aesthetically.... Contemporary Norwegian jazz is my thing.

But. I'm above average height and I can't tell you the number of occasions when a performance has been ruined by sitting with my knees around my ears.... How many venues can claim to be able to serve everyone drinks in an interval without a crush, and not have huge queues at the ladies.

I'm not claiming that the arts might in any way endanger your safety, but I was talking to a venue the other day that is convinced it is losing audiences because of the drinking culture evident round the corner.

This might seem a little depressing, if wont of meeting these basic needs is what is preventing people attending the arts, not least because I think we can safely assume widespread funding for refurbishment and new buildings is off the agenda for a while.

But the areas where I think we can make a difference are in working harder to address the 'social' and 'esteem' needs of our current audiences:

- Working harder to offer value for social and special occasions
- Thinking about how we can create a greater sense of affiliation or ownership
- Trying – both in online marketing and in person, to remember our customers
- And then communicating that value more effectively to potential audiences

As I've already said, what's on stage or on the walls has to remain at the core of the value we offer, but I think this is often over-stated as the prime motivation for many people attending the arts. I think that motivation is primarily social: whether that be quality time with

your partner, or away from your partner, celebrating a special occasion, or having something to talk about...

1. Understanding value

What value are people seeking when they choose (or don't) an arts experience?

What I'm referring to here is the value sought by customers. The different value that different customers seek from different arts experiences is a function of many factors, but ultimately, I believe, is derived from people's core motivations. The value sought by potential arts consumers is, in a sense, their 'base' motivations seen through a prism of education and experience.

So how about if we try to understand the value people seek from the deeper list of motivations suggested by Maslow?

The Henley Centre research which I referred to earlier described five major reasons for going out: Using Henley Centre work as inspiration we did a brainstorming exercise as part of a city-wide pricing project in Edinburgh and came up with a much longer list of motivations driving a decision to go out and for which attending the arts might offer the requisite value.

To pick out a few of the obvious ones:

- a night out with the girls
- birthdays
- family days out
- a romantic evening for two

This perspective is borne out by the Arts Council England research and segmentation published last year. Picking out three of the larger segments.... I paraphrase from the report:

Fun, Fashion and Friends are Infrequent visitors (once or twice a year) to more 'mainstream' arts events. The arts need to be positioned as ... an opportunity to spend time with friends and family. The challenge is...creating more arts opportunities that fit with their lifestyle...

For the 'Dinner With a Show' group, attending arts events is an infrequent, special occasion, they Stick to the tried and tested. The challenge... is to provide opportunities that position the arts as entertaining, relaxing and sociable.

'Family and Community Focused' engage through occasional visits to family-friendly arts events. Attendance tends to be infrequent – annual trip to the carnival, or once or twice a year at other types of events. They are most likely to cite spending time with friends and family... as reasons for attending arts events.

I mentioned that these were the largest groups. More than that. To my mind they represent the vast majority of potential for increasing arts attendance.

Just as a side-bar, I wonder if we can use Maslow's pyramid as a cipher for market potential.... The better you reach down towards the base, the bigger is your market potential. Even contemporary dance junkies need to eat and drink. And classical music aficionados have social needs..... Actually maybe not!

2. Creating Value

How can we create relevant value to meet the needs – motivations – of audiences? One of my local venues is badly in need of refurbishment: seats are uncomfortable, the bar is cramped, and out of preference I won't go there... unless there's an act I really can't see anywhere else. The point is that these logistical and comfort barriers place the bar very high in terms of creating a persuasive proposition to attend.

So this is the really obvious stuff, but if we don't make the experience of attending the arts as pleasant and as smooth and hassle free as possible we're giving customers really good reasons not to come back... Effective Customer Relationship Management is far more about people's experience when visiting than it is about Facebook or Twitter.

As I said earlier, I think one of the ways we can address this is through customer service. Hotels provide a good analogy again – for many, excellent personal customer service is how they differentiate and create customer loyalty. We don't necessarily need to offer valet parking, but the helpfulness of stewards, friendliness of bar staff, and accessibility of artistic directors – and marketers will go a long way to overcoming any shortcomings in the fabric of a building.

Some examples....

Firstly, to make the point that it doesn't need to be flash: Centrepont Theatre in New Zealand identified that the throng of old people in their foyers was a key barrier to young people so they opened a scummy little bar in the back of the theatre where young people felt much more at home.

Staff at the Broadway in Barking show people right to their seats and offer a waiter service when they have shows in a 'cabaret' format. Watford Palace Theatre brings schools groups their ice creams in their seats.

And then there's the other relatively simple things about creating value bundles that enhance a night out for two, or a night out with the girls, or more Family Friendly initiatives. Or the simple expedient of performing on nights when people are free to go out: witness the success of the National Theatre's Sunday opening.

But you can go a lot further...

At the Philadelphia Lively Arts Festival, I discovered a dance troupe that patrons could book to perform in their own living room and then invite their friends as the audience.

Stimulate Dance create their own performance spaces in all kinds of unlikely places and offer a package where they'll perform in living rooms, parties, picnics.

You've worked hard all week and now it's time to let your hair down, crack open that bottle and get ready for your Big Night Out!

The fantastic mix of original artists and tribute bands will guarantee that you always have a good time whether you're a Disco Diva or a King of Rock 'n' Roll.

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Cabaret seating

For only £2.00 extra you can book a Cabaret table seat. Not only will you be closer to the performance, you will be greeted by a Host, shown to your table, where snacks are provided and throughout the course of the evening you will have full waiter service for all your drink requirements.

If you wish to bring a group larger than 4, please contact the Box Office and we will accommodate you. Please note that Cabaret table seats cannot be booked online.

BOX OFFICE 020 8507 5607

www.thebroadwaybarking.com

My main point is that addressing the more basic elements of value can dramatically increase market potential and attractiveness without compromising artistic integrity.

This ranks up there with the 'bleedin' obvious', but even if you perfectly meet the needs of someone standing next to you you'll never realise that value if they don't know about it. The corollary is even more powerful: the better you communicate the value you offer, the more you increase that value.

And I think this is at the heart of the challenge to us, as arts marketers.

3. Communicating Value

I'm sure the difference between features and benefits doesn't need explaining... it's at the very heart of effective marketing.

And yet...this is real copy, selling a visual arts show (I've removed names to protect the guilty):

"[this show] is a metaphor for the rigorous research carried out by artists through theory, making and action. [the show] expands the relationship between science and art by presenting the quantifiable or immeasurable ways in which artists apply technology to their practice. It reflects a depth of philosophical, spatial or social investigation and expression....."

Really, where is the benefit? Where's the appeal to people's motivations for possibly going to an art gallery?

To be fair, I personally find writing good, benefits-led copy, to be one of the hardest things ever asked of me as a marketer. But it's absolutely fundamental.

If arts attendance is, in part, motivated by lower level needs, why do so many arts brochures and websites use the first page for the artistic director to explain their vision, rather than tell people what a great night out they're going to have... If it's there at all, it's usually tucked in the back with the seating plan.

If we're constantly searching for new audiences, why do so many arts organisations seem to take it for granted that people know about their theatre and don't need to see a picture of the auditorium before choosing where to sit, don't need to know where to park, or that there's a bar or a restaurant in the venue or nearby.

And why, still, do so many arts organisations insist on using arty images that are impossible to interpret, or second rate production shots, pictures of fat opera singers or balding middle aged musicians, rather than images of people – people like the people you're hoping to attract – enjoying themselves.

I'm probably not supposed to say this about our sponsor, but The Guardian is only read by 1.2m people. OK, many thousands more worldwide use Guardian online, but by comparison, the Daily Mail sells over 5m and The Sun just short of 8m. If we want to access a wider market we need to stop just writing copy for Guardian readers and think more deeply, understand customers in the wider market and write about benefits that appeal in a style they can identify with.



This is another slide from a previous AMA presentation. This shows the work of Howard Buckley, when he was working at The Broadway in Barking: a really challenging market, and a not ideal venue design, but Howard and his team addressed that with copy and a style that would strike a chord with local people who were much more likely to read *Take a Break* than *The Guardian*.

In a sense, Brands are value. Or rather, they enhance value by communicating it more effectively.

Brand value is usually external to the attributes of a product; designer clothes create a value – and thus willingness to pay a price – that goes far beyond the basic utility offered by the item and should therefore be an ideal means of communicating (and thus creating) perceived value for the arts.

Commercial brands such as Coca-Cola invest millions in creating (by communicating) brand value through advertising spend. Nike enhances the perceived value of its goods by having its 'swoosh' logo discretely placed on sportspeople from Tiger Woods down.

The challenge for the arts, of course, is that we don't have remotely the kind of money required to 'buy' brand value in this way. Instead we need to create and communicate brand value through the small things: the images that communicate a welcoming environment that's for 'people like me', the way we address people in emails as well as in person, the care taken over basic facilities that form a key part of the wider experience of attending or participating in the arts. One of the ways that we can do this is by offering real relationships with individuals that they value.

To conclude: a case study.

Anthony Brown is Head of Marketing at the Bournemouth Symphony Orchestra. He's not a career marketer, and he's got no marketing qualifications, but he gets VALUE and why understanding, creating and communicating it is at the heart of an effective relationship between people and art.

When I first met Anthony fifteen years ago he was orchestra Manager at the Scottish Chamber Orchestra – a thankless task in anyone's book – and he went from there to Bournemouth, where he was involved in organising the occasional outdoor fireworks concerts they staged. Having had enough of orchestra management he joined the firework company as events organiser, but quickly realised that they were more interested in selling fireworks than in putting on high quality classical music events. So he set up his own company, using their fireworks and the Bournemouth orchestra for events across Devon, Dorset, Hampshire and Gloucestershire

Anthony UNDERSTOOD that as long as classical music promoters kept on playing the same music in the same way in the same venues to the same – ageing – audience, it was never going to break out and attract new audiences. What a wider market wants is: social occasion, eating and drinking, in pleasant surroundings, with a spectacle that appeals to basic human emotions.

In CREATING the events, Anthony spends a lot of time finding the right sites and is very fussy about the details: he's not satisfied with just staging the concert in a paddock somewhere on the estate of a stately home or castle. The "arena" needs to be close to the house on manicured lawns, not a field full of sheep droppings, as this is all part of the special evening. At the start he did everything, from arranging portaloos to bins, licenses to sound systems, and although he now has staff, he's still the first on site on the day of a concert and the last to leave. I think it's interesting that some of his biggest battles have been with the musicians: getting them to take it seriously and persuading them that it is possible to perform 100 minutes of music in a three hour session.

And his COMMUNICATION about the events is up front and obvious about the spectacle and the social occasion on offer.

Is this just dumbing down? I don't think so. Anthony is still a committed and sophisticated music lover and his proudest moment was the standing ovation received for a performance of the complete ballet music for the Firebird by Stravinsky. Accessible Stravinsky, yes, but still Stravinsky – the full 50 minutes. And I agree with his bet that this was the first time most of the 5,000 people at that event had heard any Stravinsky. To quote Alan Brown again, on intrinsic impact, 'aesthetic growth is relative'.

Over ten years, these concerts have attracted audiences of more half a million and generated over £7 million in ticket sales. So for my money, by understanding, creating and communicating relevant value, Anthony has achieved some of the most spectacularly effective audience development in the UK, whilst still holding on to sincere artistic integrity.

[Tim Baker then handed back to John Holden]

I would like to raise one point with you, answer one of your questions and then open up the debate.

The thing I would like to challenge you on is Maslow because I don't like Maslow. It puts the arts at the peak of the triangle and the implication is that it is something we can get to only once we've sorted out the economy and transport and so-on. The spiritual and emotional needs which the arts can satisfy are seen as an added extra rather than fundamental.

TB: The point I'm making is that it is a problem if the arts are only regarded as being at the top of the pyramid and forgetting about the other stuff, and it is the other things that need to be in place in order that people are motivated to attend and have those transformative experiences.

JH: Yes, I accept that.

I would also like to answer one of the questions you posed about why public engagement is so difficult. I think it is partly because of the way the sector is structured.

I used to be involved in a concert hall. After a concert a member of the audience asked me if I could ask the orchestra if it could perform Finsley's Eclogue next time. When I put this to the orchestra they fell about laughing because they said 'that's not how it works'.

Current cultural business models are producer-led:

Events are in one place at one time, for the convenience of venue and performer: for the audience it's take it or leave it.

Content is producer-determined (orchestras decide what to play).

Funding systems are geared towards producers not consumers.

Quality is producer determined.

So a question: how do we create a model that reflects the way the rest of the world works: i.e. consumer choice of what, where, when while also improving quality and capacity?

TB: I agree there should be more conversations with the audience. One of the best parts of Andy Ryans' presentation [keynotes] was his story about standing outside the concert hall having a fag with the audience and chatting about the performance.

[The debate was opened to the floor].

Sue, Audiences Yorkshire: Could you explain what you mean about the different ways in which value can either be subjective or objective?

JH: In the past I've written about intrinsic, instrumental and institutional value.

Intrinsic clearly means that something has value in and of itself, but it has also become shorthand for the individual experience and the emotive, spiritual content of the experience itself. If we are talking about this then that is clearly a subjective quality which only the individual can tell you about.

Instrumental value is a benefit because you can measure it, for example you could look at the effect artwork has on a patient at a hospital without the patient needing to tell you, so it's objective.

Institutional value is a social value. Arts companies can improve the conviviality or the way that society works through the interaction of people in their spaces. This can only be increased by the aggregation of a set of individual positive social responses.

TB: We might have a semantic issue in that I am talking about a specific marketing definition of benefit, in which we are talking about the benefit an audience will get out of an arts experience and the importance of selling this.

Ian Fraser, Dundee Business School: We must remember that Maslow's work is 70 years old and is based on a study of a particular set of people at a particular time (USA, 1940s) and it has been difficult to replicate in other societies.

Jim Brewster, Audiences South West: Picking up on JH's point about the three areas of culture, perhaps we can increase capacity by leaving the two areas of commercial and home-made culture to look after themselves so that we focus on the arts organisation and allowing them to broaden their capacity to deliver.

JH: When we think about capacity we still tend to think about ourselves and what we are doing but probably more important is the education system and the mass media.

TB: If you took the stated objective of many orchestras being to connect an audience with classical music, probably the last thing you would do if you were starting from scratch now is set up an orchestra to fulfil this objective.

Sarah Boiling, Audiences London: Reflecting on your 3 Cs, I thought I could substitute the word 'experience' with 'value' on each occasion. Do you think there is a difference?

TB: The value we are offering is an experience. Value is something which could be perceived without actually having the experience.

Heather Maitland, consultant: Jerry Yoshitomi at the Museums and Galleries Day was interesting because he was saying that value was the sum of the experience, plus what your social grouping says, plus your previous experience and what everyone has told you about.

Diane Ragsdale, Andrew W. Mellon Foundation: In the arts we measure economic impact of the arts but economists never talk about economic impact, they look at willingness to pay. Why don't we look at willingness to pay in the arts? Is it because we're scared of what they will say?

JH: There are some studies – we call them contingent valuation studies. They're quite difficult methodologically but they are a useful way of looking at some of the aggregated subjective values I was talking about. They also have the benefit of making politicians understand that the arts are valued by the public.

Roger Tomlinson, consultant: I thought it has been very interesting all day that we have been talking about change. Is it the fact that organisations receive public subsidy that means they aren't able to change?

TB: I think there is a problem with the way that public subsidy is allocated but I do like my 20th Century Norwegian Jazz.

JH: The arts are a public good and many organisations could not survive without subsidy. It also makes the system much more resilient but I think the system needs more flexibility within it and it needs to be geared more towards the consumer than the producer

Monique Baptiste Brown, National Theatre: If our experience of the arts is subjective and we want a diverse audience how do we manage those different values to achieve what we want to?

JH: The three types of value: intrinsic, instrumental and institutional all exist together, they are different ways of looking at it and measuring it.

Rob McPherson, Birmingham Hippodrome: How many people work for organisations in this room who aren't subsidised? It's probably quite a low number. We don't have subsidy. We calculate risks very precisely and decide if we can pay for it. I wonder if the subsidy inhibits risk rather than encourages it.

JH: I think we will see different organisations forming who will be able to find money from different sources. There will be much more hybridity in the system.

Gwen McCleod, Scottish Arts Council: Subsidy does come with strings. It can inhibit creativity and change but I think it is the job of public funders to deal with this and address it.

TB: I think there is a danger that once an organisation becomes mostly funded by public sources your organisation becomes a really great funding getter rather than good at engaging audiences.

JH: Part of the problem is that subsidy is always supply side. Why not give people vouchers to use as they want?

TB: Wasn't the Scottish Government looking at ideas of cultural entitlement rather than subsidy for supply side?

Gwen McCleod, SAC: Yes, though sadly that has fallen off the agenda now.

Phil Cave, Arts Council England: There is a big experiment in England because some local authorities are asking people to vote on which services their money is spent on – participatory budgeting.

Heather Maitland, consultant: I'm working with independent jazz promoters who have grouped together but become increasingly narrow about the jazz. That is demand side intervention which is narrowing rather than broadening the audience experience.

JH: This goes back to the cultural snobs point. It's not just opera that can have a snob factor and it is a danger. The point is that subsidy should be encouraging the wider ecology which has a number of areas of satisfaction.