

Arts Marketing Association Awayday: December 1999
Revolving Doors: increasing audience retention

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Warwick Arts Centre
Thursday 2 December

Foreword

Arts organisations are being encouraged to focus strongly on developing new audiences and visitors for the arts. Most achieve extraordinarily high rates of first time attenders. But, disappointingly, many of these new audiences don't come back. They come into our theatres and galleries and go straight back out again - as though we had revolving doors.

150 arts marketers from all over the UK gathered in Warwick in December 1999 to discuss how we can balance the development of new audiences with an equal focus on audience retention.

The first part of the Awayday put the revolving door syndrome into a national context. It established an economic argument for focusing on customer retention and surveyed some of the ways in which the non-arts sector tackles the issue. The final speaker then set up a theoretical framework which might explain why audiences and visitors don't return.

After a lively question and answer session, the second section offered three case studies from a concert hall, a mixed programme venue and a gallery, demonstrating how these organisations had significantly increased audience and visitor retention.

Stephen Cashman, the Awayday Chair, summed up by asking how can arts marketers find out how well their organisations are doing at getting new audiences and visitors and keeping old ones? He pointed out that we do not, at the moment, have any means of comparison. We do not even have a working definition of what constitutes an active or a lapsed attender.

Stephen proposed that the Arts Marketing Association undertake a project to find a standard way of evaluating audience development and retention that is accepted across the arts industry, to explore how to collect data to come up with national statistics and to look at ways of publishing the statistics so we can all use them. He asked delegates to respond to this proposal on a feedback sheet to be returned after the event. This is what delegates thought the project would mean to the arts:

"I think it would be a useful way to benchmark your organisations performance... As we will be subject to Best Value soon, I would be very interested to be involved in the project."

"I think it essential for the arts as a whole to look at the issue of retaining customers - and to do this, we need an accurate measure for retention."

"I fear it might end up like school league tables, not actually telling the whole story."

"We have to have a pool of broad ranging data from many and various sources, before we can move forwards in understanding customer retention."

"Extremely useful! The industry needs to have a measurement against which they can compare their own figures."

"Essential. Possible benefits include the development of a viable measure of a venue's performance in achieving social objectives, increasing access and developing loyalty as well as its marketing effectiveness...It would also enable arts organisations to make the most of the Best Value regime."

"Extremely useful - there are some interesting things happening with our audience in terms of new attenders and retention, but I don't know why or whether it's a good thing"

"Very useful: we just don't know what we should be aiming for at the moment."

"Crucial"

"As mentioned in the summary, we need to be sure what our definitions [of lapsed and active attenders] are. A lot of assumptions are being flung about at the moment."

"I really believe that it could enable and encourage the arts sector to have a balanced and strategic approach to audience development i.e. managing the mix of new, 'frequent' and 'infrequent' attenders as well as maintaining a mix of types of audiences to reflect our diverse communities. This would give us the tools to accurately set target objectives and measure successful outcomes. However, the key challenge lies in motivating the sector to collaborate and share data."

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AUDIENCE DEVELOPMENT AND AUDIENCE RETENTION

Stephen Cashman, Developing Audiences in the North - Chair

Whether we work in the visual or performing arts, we have to face the fact that we are confronted with a new political imperative about developing audiences.

Secretary of State, Chris Smith, last year set targets for UK arts organisations in the Department of Culture, Media and Sport (D.C.M.S.) Comprehensive Spending Review. He asked us to create 300,000 new chances to experience the arts alongside 200,000 new opportunities to be involved in educational sessions. This year he set a target for overall attendance levels:

"The present 50% of the population who enjoy or take part in the arts - by going to concerts, plays or museums should be increased to two-thirds over the next ten years"

Chris Smith, Speech to the RSA, 22nd July 1999

We need to respond to this challenge to develop our audiences. But how can galleries, venues and companies systematically develop visitors and customers when we have no clear definition of audience development? It's a buzz word which everyone uses, but is not particularly focused. Although we all do our best to make sure that audience development happens in our organisations, we apply the term to many different audiences, a range of artforms and a multiplicity of approaches & techniques.

Here is one way of structuring our thinking about audience development, applying the trusty Ansoff matrix.

U s e r s N e w C u r r e n t	Broadening audience scope: Attracting new people to existing offerings	Innovation: Devising new offerings for new users
	Cultivation & retention: <ul style="list-style-type: none"> • Getting users to use more • More often • & increasing quality of their experience 	Programme Development: <ul style="list-style-type: none"> • Devising new or extended offerings for existing users • Or to encourage cross-over
	Current	New
	Provision	

Part of the problem with the notions of new audiences coming from the D.C.M.S. and the Arts Council of England's New Audiences Programme is that they focus our activity on finding brand new people even though the ways of developing audiences shown in the matrix are not mutually exclusive. Most audience development work in arts organisations covers all of the different boxes at different times. We are therefore faced with a multiple challenge - not only finding new audiences but also making sure we retain existing customers.

THE ECONOMIC CASE FOR AUDIENCE RETENTION

Martin Christopher, Cranfield School of Management

Customer retention in mature markets

Two days ago in Brussels there was a major international event all about customer retention. This suddenly has become the big issue in marketing circles. Why? One reason is that through the 50s and 60s companies were surfing on a wave of growth. You can tell a really good surfer by watching what happens when the wave breaks. That's what has been happening in a lot of markets. We have moved out of a period of sustained growth in many cases and those markets have matured. The wave has broken and companies are being tested just like that surfer.

When markets are growing, companies focus on winning new customers, particularly in the FMCG (fast moving consumer goods) sector. This strategy arose from work by the Boston Consulting Group which in the 70s in particular demonstrated that there was a direct relationship between market share and profitability. In mature markets the cost of winning new customers is prohibitive and so the focus has shifted from the absolute level of market share to the quality of that share. The key issue is about loyalty, about customers who keep coming back. We see nowadays that profitable organisations are the ones which may not have a high volume of customers but which have high levels of loyalty. Those that are constantly having to chase new business are finding their profit margins under pressure.

This isn't new. Back in 1983, Theodore Levitt wrote

"The purpose of a business is to create and keep a customer"

Theodore Levitt, *The Marketing Imagination* (1983)

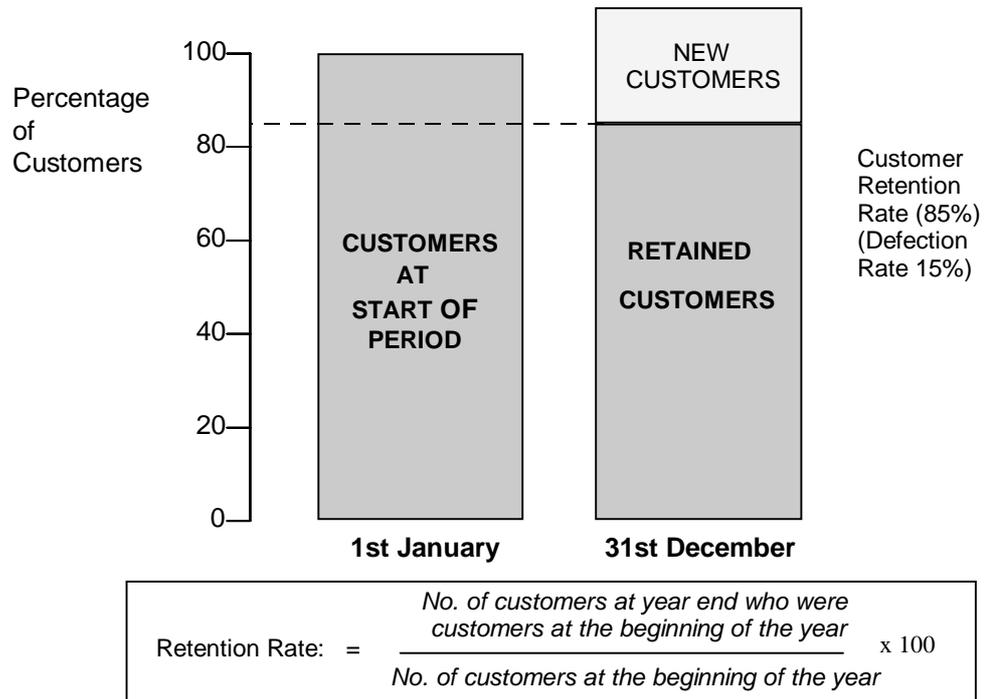
Most of the energy of marketers, though, used to go on the first half of that statement. It is only latterly that we have come to understand the importance of hanging on to what we've got. It's the customer that creates the profit, not the product. We've come to call this relationship marketing.

Many organisations today like to claim that they are marketing focused and customer driven. In reality they are product focused. They talk about managing brands not managing customers. I suspect that arts organisations are similarly focused on events rather than the impact those events have on their audiences and visitors. Some companies, however, have abandoned brand management and put together cross-functional teams to work closely with their major retail accounts. They talk about category management instead. This is because they have realised that retained customers are more profitable than new ones.

Defining customer retention

A simple measure of retention would be to identify the number of customers that we served at a particular point in time, say twelve months back, and see how many of those customers we still have today. In some organisations capturing that data is not always straight forward. Is it the share of the business we should be measuring, or just the number of customers? For a long time, banks have been measuring retention, but not always understanding exactly what they are measuring. Many customers open new bank accounts but don't close the old one because it's too much hassle - they just don't use it any more. Banks were still counting those dormant accounts as retained customers.

We need to go beyond the simple statistics and find a more sophisticated way in which we can measure the level of customer involvement.



Source: Bain & Company
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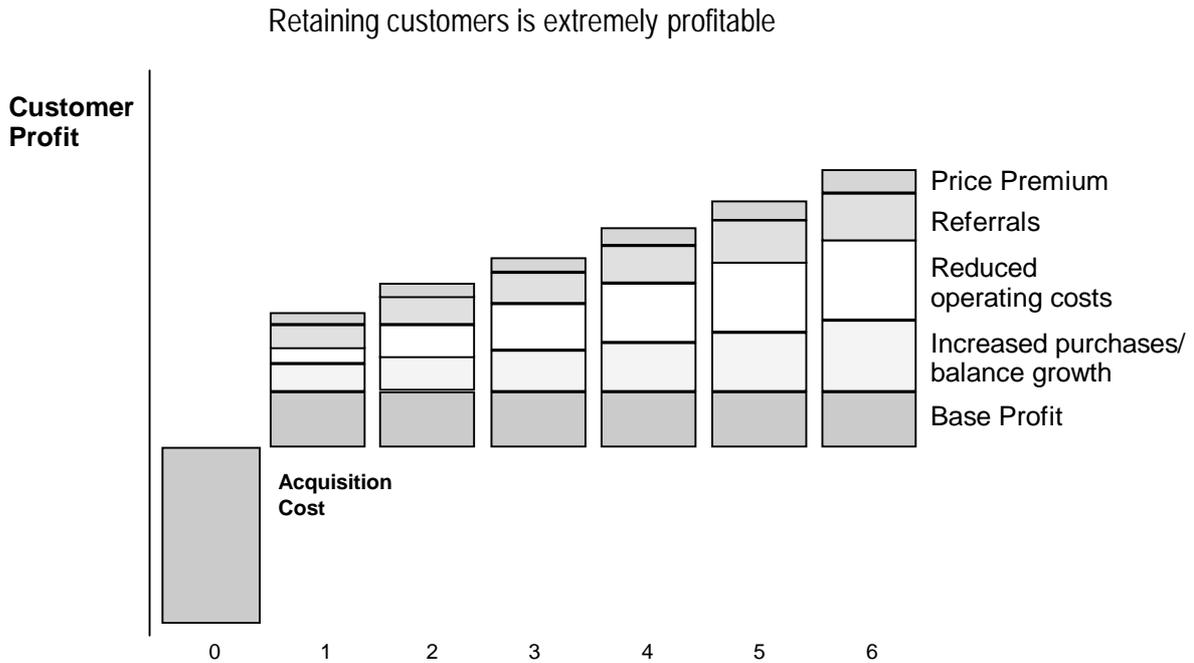
Your industry's box office computer systems enable you to track individual customers' behaviour. This gives you a much richer insight into what customer retention is all about. An example of the power of this kind of information is British Airways' recent announcement of a fundamental change in their marketing strategy. As a result of their analysis of customer purchasing patterns, they will be down-sizing their business and focusing on a certain type of traveller - the business traveller. This will even affect the kind of aircraft they order as they will need smaller planes, configured differently, with less room in the back for people like us with bucket shop tickets. Their analysis of customer behaviour has indicated that not all their customers are equally profitable.

Why are loyal customers more profitable?

Frederick Reichelt in *The Loyalty Effect* has analysed the impact of the purchasing behaviour of loyal customers. He has found that, over time, they will buy more often and spend more with us as they become more confident in the relationship and as we start to cross-sell. The stronger the relationship becomes, the less we have to spend on marketing. If we get it right, they effectively become our sales team and refer new customers to us. They are also less price sensitive so we no longer have to discount.

Increasing the rate of customer retention has a significant impact on customer lifetime and therefore on profitability. An 80% retention rate means that 20% of customers will be lost each year. In five years the whole of the customer base will have turned over with each customer having an average life of five years. If the retention rate is increased to 90%, it will take ten years for the whole customer base to turn over as we lose 10% of customers every year. The average customer life will have been doubled.

These two ideas brought together are the real power of retention.



Source: Bain Customer Retention Model, Bain & Company
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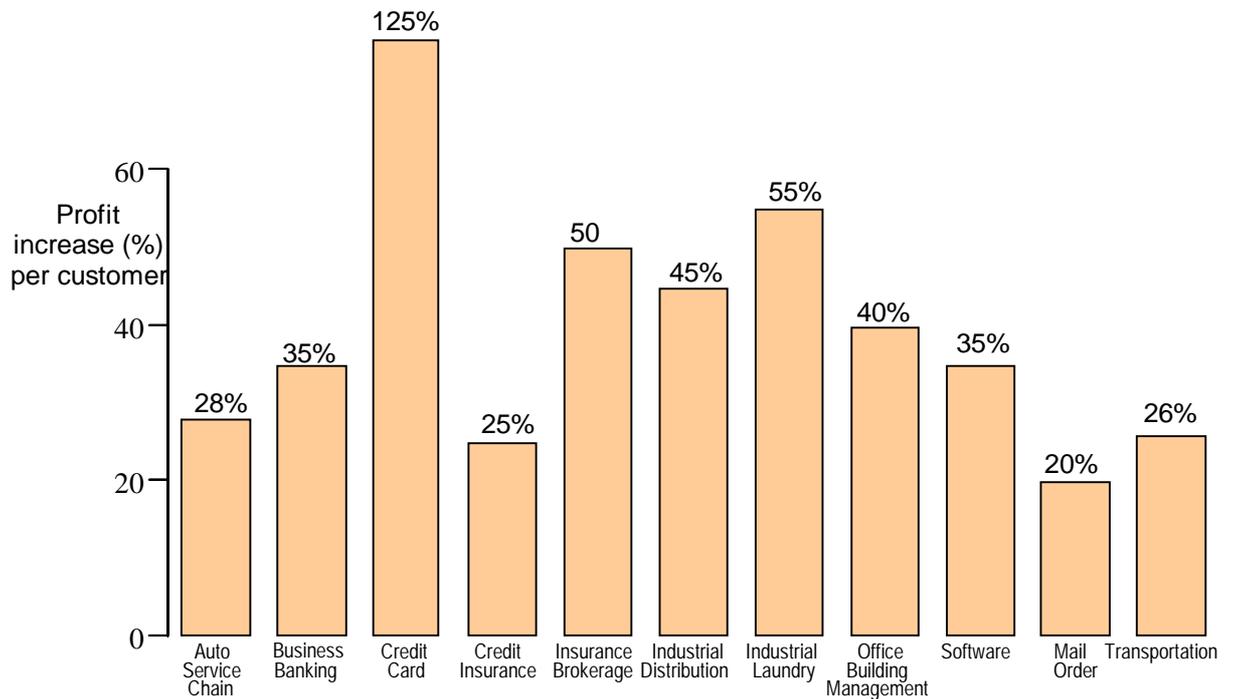
In industry after industry marketing strategies are focusing on customer retention. Over the past five years or so, Ford have moved away from being volume oriented and concentrating on market share¹. Previously, their strategy was to go after the big fleet businesses and the car hire companies. They will still do that (after all in our enthusiasm for retention we must never forget that we also need to win new customers). Their retention rate, though, was only 60%. They realised that each additional percentage point on top of that was worth an estimated \$100 million in profit. Last year their annual report showed the highest profit in their history, against industry trends.

Instead of a blind pursuit of market share, Ford have asked the question "What have we got to do differently to hold on to the customers we've got." Many of their competitors are now doing the same and discovering something that we've known for years - customers don't have relationships with organisations, we have relationships with people. The weak link was that Ford had very little control over the people the customers see most: the dealers. Car manufacturers are now taking a much more proactive approach to their distribution channels, in some cases actually taking it over. They are more demanding about how dealerships are managed and staffed and the way they relate to consumers. In 1990, Rover didn't know the name and address of a single customer. Dealers had that information but very few made any effective use of it. In the space of nine years, that has all changed with manufacturers managing right down to the point of sale and, most importantly, the point of service. Nine times out of ten, customers changed the make of their car not because they were fed up with the car, but because they were unhappy with the service they were getting from the dealer.

The worth of a retained customer varies significantly from industry to industry. Credit card companies are willing to spend a great deal to win new customers because their lifetime value makes it worthwhile.

¹ Fortune, 3 April 1995

Profit impact for a 5% points increase in retention



Source: *Company Accounts, Bain Client Analysis, Bain Customer Retention Model, Bain & Company*

But not all customers are equally profitable. Company profitability is dependent upon a relatively small proportion of the customer base. Typically 80% of total revenue comes from just 20% of customers - the Pareto Effect is alive and well! British Airways' change in direction has been guided by a determined attempt to understand the lifestyles, needs and desires of 20% of their customers, their Business Class customers. This is why they offer so many frequent flyer schemes and executive clubs - they are collecting data.

This is a dangerous strategy. It may be that these customers are no more likely to remain loyal to us. However, I believe that if we try to spread our marketing activity thinly right across the whole market, we won't have any effect where it really counts. We need to ask

"Do I really understand how my audience segments?"

"Am I able to track and trace their purchasing behaviour?"

If we know the answers, we can identify how much we should be spending on each different type of customer. Maybe we should be asking "How much am I prepared to invest in retaining this customer?"

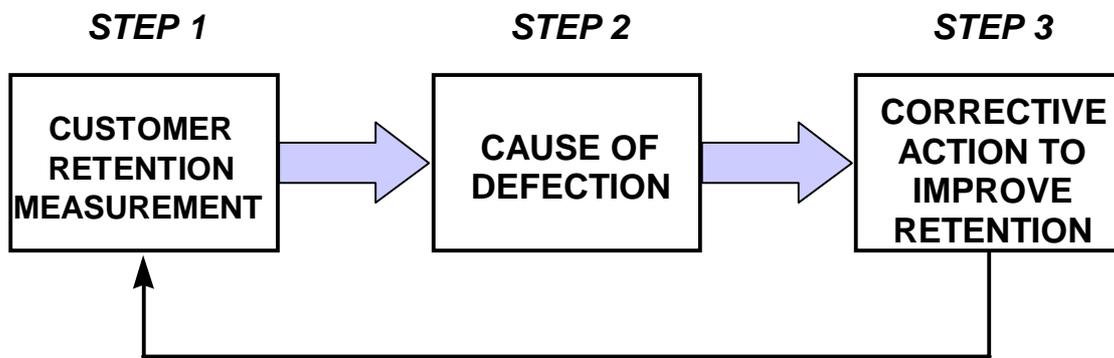
A successful organisation in the US, with a presence in the UK, is Domino's Pizza. They've always believed in the lifetime value of the customer. Part of their basic training scheme for every employee talks about the \$10,000 pizza rather than the \$10 pizza. This is the value of a customer who stays loyal for the life of a typical Domino's Pizza franchise. If the company can instil that mental picture in employees, they are more likely to focus on the customer care issues that lead to customer loyalty.

Improving customer retention

Once we've understood our audience's purchasing behaviour, like Ford, we need to ask the question "What must we do differently to hold on to the customers we've got." We need to understand in some depth why people are leaving us to understand what we can do to keep them.

Loyalty is not a normal characteristic of buyers out there in the market place. If you look at people's buying behaviour, there's an awful lot of switching going on. Brand loyalty is not what it used to be. Most of us have a portfolio of brands we buy from, although we may have a preferred brand. If our preferred brand isn't on the shelves for some reason, we are perfectly happy to pick up an alternative because we've used it before.

Analysing customer defection and taking corrective action to improve retention follows three broad steps



The issue is how can we capture more of those choices. The first solution is to make sure that our product is available at the time and place our customer wants it. It's about making it easy for people to do business with us.

I've seen a statistic that indicates the two largest grocery retailers, Tesco and Sainsbury, share 30% of their customer base. These are promiscuous shoppers. The stores are now focusing on trying to capture those shoppers because even a small percentage will transform the market place. But I want to emphasise that the classic loyalty scheme is not the same thing as customer relationship management. A relationship involves customers seeing themselves as part of what we do. They are, in effect, sharing in what we do.

In summary to improve customer retention we need to:

- Measure retention by type of event and by customer type.
- Find effective ways of categorising and segmenting the customer base.
- Recognise that around 20% of customers are responsible for 80% of the business.
- Communicate this information and its importance to employees.
- Understand the root causes for customer defections.
- Put in place a customer retention programme which addresses the question "What must we do differently to keep the customers we've already got" and so improves customer satisfaction.

The most important element in improving customer retention is your organisation's front-line staff. A lot of evidence exists now that a high employee retention rate relates strongly to a high customer retention rate. If we have happy and motivated staff, there is a high chance we will have happy and motivated customers.

UNDERSTANDING CUSTOMER BEHAVIOUR

Andrew McIntyre, Morris Hargreaves McIntyre

What is audience development?

I'd like to start with the issue that Stephen raised: defining what we mean by audience development. Like marketing, a term which has been bastardised to mean anything from publicity to selling key rings in the foyer shop, audience development is in danger of being defined as schemes which drag fairly unwilling people off the street for a one-off experience. That is, converting people from potential attenders to lapsed attenders in one revolution of the revolving door. We don't need money from the D.C.M.S to do that, we're very good at it already. We keep on bringing in first time attenders and then letting them slip through our fingers again.

My definition of audience development, then, is not about every increasing queues of new people, although I want to involve them as well. It's simple. I want to develop the knowledge, confidence, experience, interest and loyalty of every member of the audience to his or her maximum potential, whether they have been coming for twenty years or twenty minutes. We need to see audience development as a progression, a relationship - perhaps one that is life-long - between the customer and our venue or our art form or the arts in general. It should be about creating pathways for people to follow to discover the arts and to move around to develop themselves within the arts. But we can't develop them if we can't keep them.

Understanding why they leave

The key to knowing why the doors revolve is understanding customer behaviour. Before I explore that further, I want to say that for some organisations, that concept is revolutionary.

Audience centred?

To want to understand customer behaviour in order to better meet customer needs is to put the customer at the centre of your strategy and to adopt a clear market focus. But that goes against the grain of so much of the arts marketing that has gone before:

"By not coming, the occasional ticket buyer is the real victim. He has not permitted us to inform him, inspire him or entertain him.

For the single ticket buyers who only come to our biggest hits, I find it hard to have any sympathy. Why do you pose now as theatre lovers when bowling and bingo are your true enthusiasms?"

Danny Newman, *Subscribe Now*

This is from a man who had a bigger influence on arts marketing practice in the UK than just about anyone else. Whilst his evangelism for subscription was both impressive and admirable, the cost of this approach runs deep. In any arts organisation that has run a subscription scheme, even if the scheme no longer exists, some of the ideas that underpinned it still survive. We laud the frequent attender and almost despise the rest. This has played a part in making the doors revolve.

Subscription may be old-fashioned now, but Son of Subscription - *Direct Mail Myopia* - is continuing to create a two-tier audience. If you're a regular attender, your postman will be busy. If not, you'll struggle to find out what's on. This is the Pareto Effect gone mad. 80% of ticket sales might come from 20% of the audience, but ignore the rest and it will soon be 100% of your seats from that 20%. Pareto makes for efficient marketing, but not necessarily audience development. Some of the most successful marketing

techniques that we use under develop audiences. We may have let the unwashed hordes through the outer wall but they will never get into our inner sanctum - our mailing list.

Many organisations that I know of that say they put audiences at the centre of their marketing strategy are actually putting that 20% of the audience at the centre. That can be equally dangerous. We get to know that 20% well and we begin to understand them and their customer behaviour. Then we assume that they are the only audience and adopt a self-fulfilling strategy.

We believe our own myths:

- The audience is homogeneous
- They define themselves as contemporary arts attenders
- They are proactive
- They are knowledgeable
- They are committed

We aim low. We assume that there is only a narrow specialist interest and we market the work on that basis. We then get only a narrow specialist audience. What a surprise.

Alternatively, we assume that everyone else is like our core audience. So we design coffee table print for the specialists and leave the potential attenders alienated or baffled.

At Arts About Manchester and Morris Hargreaves McIntyre, I have been involved in over 150 research-led projects and looking around the room I can see many other people who are also engaged in trying to know and understand real rather than mythological audiences. We are, all of us, working together to collect the pieces of a jigsaw. We hope that the projects you will hear about today are a corner piece of the jigsaw, but it is too early to say what the full picture might look like.

Hierarchy of Mind model

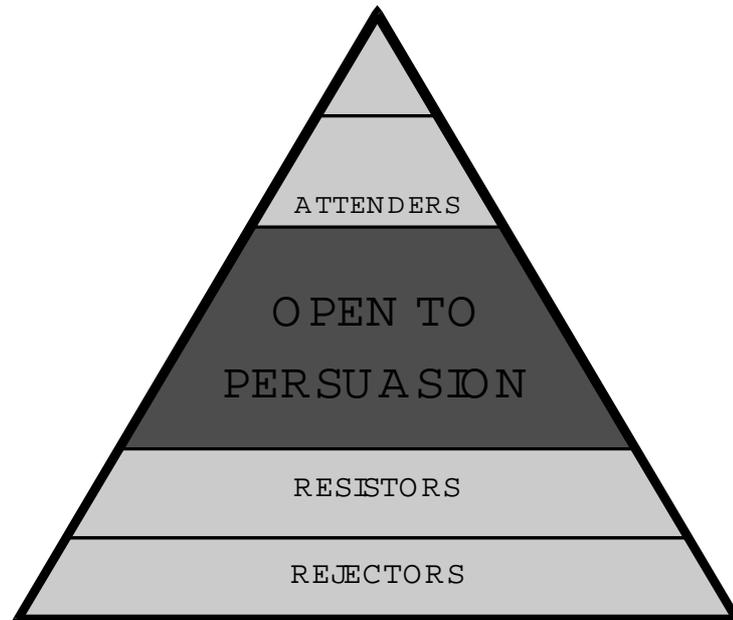
If you go to the library there will be a stack of books on audience behaviour spanning psychology, sociology and marketing. They are full of useful insights that I can't hope to cover in just ten minutes. If I had to choose just one idea, though, it would be the psychological model known as the Hierarchy of Mind. There are seven levels in this hierarchy moving from our concept of ourself in the world through to the language we use. The four levels of most interest to use are:



Beliefs drive attitudes, attitudes frame opinions and attitudes and opinions together drive behaviour. To understand behaviour, we must understand the attitudes and opinions that drive them. Most market research and marketing information is at the behaviour level, some is at the opinion level but very little actually addresses, explores or profiles attitudes. If we want to understand audience attitudes, we have to dig deeper than the superficial data.

Here is our attempt to model the audience using the attitudinal information we have.

At the bottom of the pyramid are Rejectors who will never come to what we put on. Above them are the Resistors. There are lots of education and outreach schemes which try to persuade them that they want to come to the arts, which you could broadly characterise as missionary work. At the top of the pyramid you have Attenders who you could stratify into Friends, advocates, subscribers, frequent attenders, occasional attenders and infrequent attenders. In the middle you have a gap inhabited by a group which a lot of people describe as Intenders. There is a problem with this label, though. If they are Intenders, how can we explain why they aren't coming? The difference between the people who are coming and the people who aren't is that the former group have been persuaded that what we have to offer will fulfil their needs. The people who aren't coming haven't been persuaded yet.



We call the group in the middle Open to Persuasion. They are a group of people who are open to what we do and at the top end of the group they are actually trying it out, so the line between Attenders and Open to Persuasion is blurred. The revolving door is on this blurred line - people are dipping in but ducking straight back out again.

Diffusion of Innovation model

The Diffusion of Innovation model describes how a new product is adopted by a market. It works on the principle that some people are more open to innovation while others need more reassurance and will wait before adopting the product. There are five types of people in this model:

Innovators (3% of the total audience) have an interest in championing new work and will make or break it. These people are independent, confident and risk takers. They will seek out new work.

Early Adopters (13%) like to keep abreast of the new trends pioneered by the Innovators and, like them, are willing to take risks with work that is not yet a proven success.

The **Early Majority** (35%) represent the threshold of the mass market. They are open and willing to new ideas but need reassurance. Given the right mix of explanation, interpretation and endorsement, they will take limited, calculated risks. In short, they are open to persuasion.

This is the group that the arts are failing to persuade. We are very good at talking to the Innovators and Early Adopters but then our marketing runs out of steam.

Most arts organisations are not reaching:

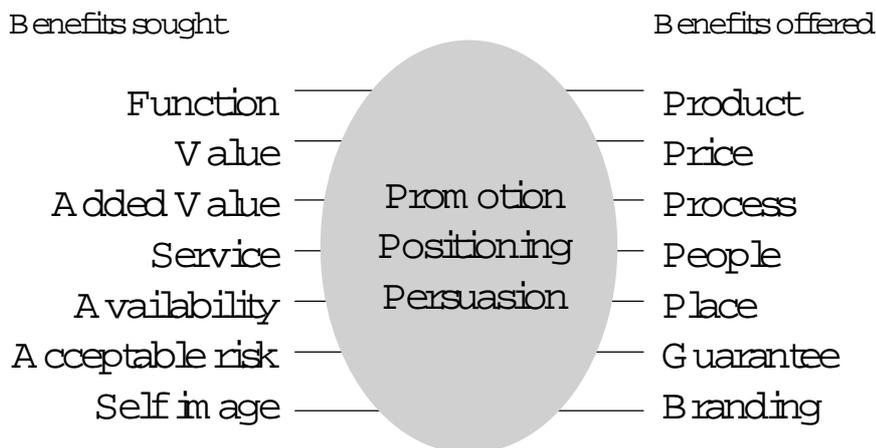
The **Late Majority** (34%) who will accept the work once it has been tried, tested and recommended.

Laggards: who are confident in their own judgement and know what they like and like what they know. Unproven, unfamiliar and unconventional work gets a hostile reception from this group.

The adoption of a new idea or product drives the product life cycle. This is divided into four stages, the first of which is the introduction phase in which new work relies on innovators and early adopters to get established. If it is successful, it will move on to a period of growth and then maturity in which attendances are steady. The aim is to sustain this period for as long as possible before attendances begin to fall and the product goes into decline. Most work fails at the introduction phase and goes straight into decline.

Benefits model

In order to meet the needs of the Early Adopters, we can use this simple model of what they want from us. Whether they are buying shampoo in a supermarket, or attending an art gallery, people have a similar set of needs and wants. We can match those with some standard marketing strategies that deliver those needs and wants together with some elements of the marketing mix which help us communicate those benefits to the potential audience member or visitor.



We have added a final 'P' - Persuasion - which is the P that we all, I think, leave out of the marketing mix. Even when we have the **right message** and can put a tick against all the benefits in the right hand column, and we have chosen the **right medium** for delivering that message, we are still not very **persuasive**.

As customers approach our product, size it up and give it a go, they begin by responding to impersonal broadcast messages. At the point of adoption, however, all the evidence - from the text books, from Test Drive programmes and from the case studies you will hear about later - shows that it is personal, narrowcast communication that works. Of 20,000 people that we recruited to Test Drive the Arts in Manchester, 35% have been back just eight months later and paid to see something else. This compared to a retention rate of 10 - 20% in two theatres in the North West. It works.

If we are going to communicate with people personally, though, we need to understand their needs and wants.

Defining audiences not just describing them

To persuade people effectively, we need to send clear messages, targeted in effective ways, to specific audience segments who share the same set of needs and wants.

Usually we try to segment by age, social grade, lifestyle, postcode, attendance habits, newspaper readership and so on. These approaches are better than asking the queue at a bus stop if they want to come to an arts events. But they don't get to the heart of what drives people's arts attendance. Not all over 55s like classical music. Not all teachers like contemporary dance. 70% of your attenders may well read The Guardian but you are not going to get 70% of Guardian readers to attend your event. These segmentation methods **describe** audiences but they don't **define** them. We need go to the heart of their motivation and define our segments by their attitudes, motivations and needs, not their postcode.

We have taken the broad groups from the Diffusion of Innovation model and, testing them against research with real audiences, developed them into defined segments and sub-segments. Here is a selection:

Innovators	Vocationals Avids Confident selectors
Early Adopters	Conscious image builders Cognoscenti
Early Majority	Cautious gamblers Seekers of the truth Open minded incidentals Mainstream selectors
Late Majority	Once a year treaters Mainstream regulars Creatures of habit
Laggards	Defensive purists

For each broad segment, we can define motivations, perceptions, attitudes, needs and wants:

Early Adopters

- Ready to seek new and innovative things.
- Confident of their own tastes.
- Will influence other people's tastes and activities.
- Eclectic tastes.
- Knowledgeable.
- Often impatient with mainstream product and traditional venues.
- Loyal to intimate venues.

Early Majority

- Open minded and accepting of a wide range of product from fringe to mainstream.
- Open minded on a wide range of venues.
- Need some reassurance that events are worth the gamble.
- Will often be persuaded to attend by friends.
- Want to be reassured of quality.
- Looking for price to reflect the gamble.
- Not necessarily well informed.

We can then go on to define their responses to media and any obstacles to their attendance. Ultimately this provides a practical framework for a detailed marketing plan allowing us to differentiate the marketing mix for each segment.

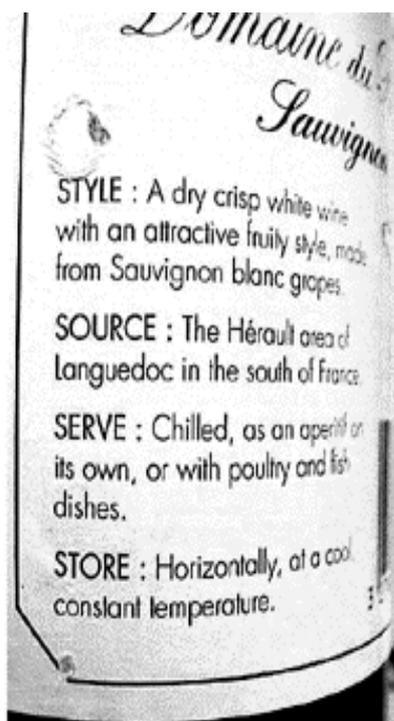
	Early Adopters	Early Majority
Orientation:	Proactive	Reactive or passive
Obstacles to attendance:	Lack of information, lack of advance warning	Lack of information, lack of advance information, inadequate information, inappropriately designed information.
Challenge:	Inform early	Inform fully; instil 'safe to try' thinking
Media:	Listings by direct mail, internet, e-mail directing to web-site	brochures and letters by direct mail, internet, e-mail directing to web site, telephone sales
Interpretation:	not needed - likely to be rejected as too populist	create cultural evenings with food, drink, music etc which wrap around the performance with a complete cultural experience

We have done a number of projects including work for the Edinburgh International Film Festival, the Tate Gallery and the Arts Council of England on contemporary dance, which ask lots of questions about people's attitudes and correlate their attitudes with their purchasing behaviour through a multi-variate analysis. We have used these typologies in Bedford to recruit risk takers to a series of focus groups. The correlation was remarkable. Even though the people in the groups were of widely varying ages and from different professions, they shared a passion for risk taking in the arts. If you saw these people sitting in a restaurant, say, you couldn't possibly work out what the link was between them.

It's not until we can drive our marketing through attitudinal not descriptive segments that we are really going to bridge that gap between people simply trying us out and people engaging with us.

Exclusive to popular

At the moment, the arts are a minority interest and we need to make them popular. I want to compare the arts to wine. Thirty years ago, wine was an elitist, exclusive and alienating club. People were open to persuasion but, if they wanted to buy a bottle of wine, they could go into a wine merchant where somebody in a suit would look down their noses while they tried to decipher the labels which were all in French, or they could pop round to the off licence and buy a bottle of Blue Nun.



The wine industry then launched the biggest education and outreach project in history. They have repositioned wine in the market by interpreting it for us, giving us recommendations and making us feel comfortable with it. It's now fine to stand in Asda and read the label on the back of a bottle of wine and find out whether to drink it with chicken or beef. We can tell what the wine will taste like because it has a simple code: 6 for a very sweet dessert wine and 1 for something very dry. The industry has created pathways for us, given us ways in to what is an incredibly complex subject.

Why can't we do the same for the arts?

What's the cost of not doing this? £2.50 a second, actually. £9,000 every hour, every day, all year round in unsold theatre seats. £27 million that has slipped through our fingers since the AMA conference in Cardiff at the end of July. And I'm not even going to tackle art galleries...

QUESTION AND ANSWER SESSION

Anne Roberts, Arts Management Services:

You've identified what sort of attitudinal typologies there might be. When we're segmenting our databases, once we've understood what these typologies are, how do we identify which individuals conform to a particular type?

Andrew McIntyre:

I wouldn't want people to think that we're saying we have the answer here as we're feeling our way towards it. We have a piece of work on this in progress and we may be about to start another. The first, at the Coliseum in Oldham is looking at correlating those attitudinal segments with booking behaviour. Once we've established what patterns of booking behaviour are most associated with those segments, we can then analyse it in reverse. We've developed buyer types which have probable correlations with the attitudinal types. We will code up the whole of the theatre's PASS database so they can adjust their marketing communications to those people. We can't guarantee that 100% of the people we've coded with a particular type are actually in that segment, but they are very likely to be.

The second piece of work which we are discussing with Northern Stage is to work with them when they are cleaning their database. They do this by sending a mailing list card and asking the customer to return it or they risk not receiving any more information. What we are looking at doing is using this card to ask the attitudinal profiling questions. We may end up with thousands of people's records on the box office system with a segment list code attached which will be used to drive the database marketing strategy. Only time will tell if we can match that sort of quantitative data profiling information with what is essentially a qualitative approach.

Karen Winrow, Dacorum Pavilion

You talked about the large proportion of people who are 'open to persuasion'. How do we reach them?

Andrew McIntyre:

We've invested a lot of money in sophisticated profiling and mapping software and I know that other organisations have done this as well. When we were doing our Test Drive the Arts programme which was about finding people interested in trying the arts, we tried all sorts of profiling lists from all sorts of places. We ended up with the telephone directory and found that it is full of people who would like to try the arts. The success rate of just sitting someone down with a telephone directory and getting them to call people was amazing. You can ask screening questions - "Would you be interested in trying this? What are you attending at the moment?" and so you can include or exclude people. I think we have a very long way to go before we need sophisticated targeting techniques to winkle out the last few people who haven't been to the arts yet. Most of the British population fall into the category of "I would like to try this but I've never been." There are hundreds outside this room at this very moment.

Ros Lamont, Scottish Arts Council

Have any of your projects looked at whether this approach means that marketing budgets are more effective?

Andrew McIntyre:

I have to say no, because we're at the stage where we're just beginning projects where the marketing is driven by this sort of profiling. Generally, though, there is no reason why this should cost more. The Oldham Coliseum mail to everyone at the moment and, segmenting their database by people's previous attendance, use several different versions of the direct mail letter. We can now target those letters using

their attitudinal type - but it's the same envelope, the same stamp, the same printing costs but the message is likely to be different. There may be some instances where you might want or need to spend more in order to target effectively but you would have to track responses to see if you are getting enough return on the investment.

Don Keller, freelance consultant:

Martin, you said that longer term customers tend to be less price sensitive than new customers. Some industries apply that very cynically, particularly banks and building societies, and really annoy their long term customers because they find that the account that they have had for a long time suddenly pays the bottom rate of interest while new customers get a better rate. In the end the customer revolts. How do you square this problem?

Martin Christopher:

You're right. The banks keep us because of our inertia. There used to be a branch of mathematics called "catastrophe theory" which said that you can push people so far and they do nothing. But it's like a cliff edge. All of a sudden they take action. But we can look at this a different way. If we're delivering the sort of value that makes long term customers want to stick with us, they are looking at the cost of this to them. This is not the same thing as the price. "Cost" involves issues about their time and convenience. Price is only one element of cost. With people who do not have this relationship with us, price looms much higher in their list of things that make them want to come or not. It's not that we can rip off loyal customers, because they are not going to stay loyal for long if we do.

Adrian Phillips, The Phone Room:

Would you agree that the defection of existing customers is not about the product they come and see, but about the poor welcome they get when they come to the venue, whether this is because of lack of training or the organisation's historical attitudes towards the audience?

Martin Christopher:

I would agree with that entirely. The point I was making is that the customer's relationship is not with the organisation - we don't have a relationship with Heinz, for example, although they like to talk about relationship marketing. With an arts organisation, be it an art gallery, a dance company or whatever, we need to bring our own people on board because it's ultimately about an atmosphere, an experience. If audiences like it, they'll go back again. It's the same with a restaurant - if we like, it we'll go back even if the food is not absolutely brilliant.

Roger Tomlinson, Tickets.com, Dataculture:

Some people with long memories may remember the attempts to establish an ArtsACORN. That project foundered because CACI collected lots of box office data from a series of arts venues and processed it. They came back with a very simple statement. They could find no statistically significant factor which determined who was an arts attender and who was not. You could have two households next to each other, which appeared to have the same level of income, drive the same cars, have the same size of family etc. One would be an arts attender who went to a variety of events and the other would never go. It's a relief that Andrew and his colleagues are beginning to say that there is another place we can look for the answer. The telephone directory. And it's a relief because it means that almost everybody is in the target market.

Andrew McIntyre:

And you've all got access to it.

Fran Wilde, freelance:

I'm interested in why people stop coming? Are there really any surprises for us or is it predictable? Are there any patterns we haven't already identified?

Martin Christopher:

I don't know as much about the arts side of it, but if we take some of the more general examples, it comes down to how people are treated whether they are buying a car, eating in a restaurant or visiting an art gallery or a theatre. It is about people and relationships with people. That's why the smart companies today are investing in what we might call 'internal marketing'. It is about seeking to create a culture in the organisation in which everyone fully understands what we are trying to do and what the value proposition is. In the past this was only known to a very few - the marketing director and one other, maybe. Now we need to say that everyone in the organisation needs to understand it because we need to link everything we do to how we deliver that proposition.

Andrew McIntyre:

That's right. But I think we're too hard on ourselves. We can all think of examples of shocking customer care in the arts - the apocryphal stories. They are so powerful that we assume that all our organisations are turning people away like this. We're not. If you look at the research, the satisfaction levels among people who have been and are not coming back are sky high. Often, it's because they had low expectations which were easily met. What we haven't given them is an imperative to return. If you go to the cinema, they spend half an hour before the film starts telling you that you should come back. And when you go out, there are lots of posters everywhere saying "This is what is on next". Have you ever been to an art gallery and seen that? It doesn't say "At a gallery near you from Sunday ...". We've surveyed frequent attenders at a gallery which has had eight exhibitions in a year, who thought that they had only had four because that's all they found out about. This afternoon's presentation from Helen at Buxton Opera House shows how easy it is to persuade people to come back. But our attempts at persuasion are minimal.

Catherine Holden, Tate Gallery

I've introduced a "Next at the Tate" poster. It's very simple but it does mean that the exhibitions coming up have a presence. The number of colleagues who've said "What's the point?" doesn't bear thinking about.

Lucy Heslop, BBC Proms:

Have you done any work to do attitudinal segmentation, run it through the database and then see if that fits with any existing segmentation systems?

Andrew McIntyre:

We haven't gone through that whole cycle, as although we have bits of data, we don't yet have a large enough sample to prove that. What I think you'd find, is that there will be correlations between innovators and risk takers and certain typologies within existing systems. But I'm making a distinction between factors which define segments against factors which merely describe them. You may well be able to identify some Mosaic groups with a high correlation in the same way as you might identify that 70% of your audience are Guardian readers. This may not be helpful. Using higher ACORN groups, for example, raises the proportion of contemporary dance attenders in your sample from 3.1% to 3.9% - you have a higher correlation but it doesn't do you much good when you're trying to find potential contemporary dance bookers among the 70,000 people who live in your town. If you want new attenders, they are there for the taking. We got 20,000 new attenders in Manchester in six months just by ringing them up and asking them if they wanted to come. New attenders are not the problem. Getting existing attenders to come back is not the problem, either. It's just organising things so that you try to understand their needs and wants. It's not rocket science.

Matthew Carwardine-Palmer, Arts Marketing Hampshire:

In your research, have you been dealing with bookers or attenders?

Andrew McIntyre:

Both. Mainly bookers because that's who we have data for on the box office systems but also attenders, and with recruiting new attenders, whoever answers our telephone call. With contemporary dance, for example, we've done lots of recruiting in foyers so we have built up the list of people who didn't book.

RETAINING AUDIENCES FOR CLASSICAL MUSIC

Chris Denton, Royal Festival Hall

I'm responsible for classical music marketing at the Royal Festival Hall, both in terms of specific events that the South Bank Centre promotes itself and generic awareness of classical music at the Centre. I'm here to talk about some startling figures we discovered three years ago now. The South Bank Centre database holds over 750,000 customer records and, here's our friend the Pareto effect popping up again, 80% attend once or less per year. That means 600,000 potential audience members we already know about and have their names and addresses that aren't coming. We have allowed them to pass through the revolving doors and become lapsed attenders. I'm going to tell you how we began to tackle this problem. I can't pretend to have a simple answer because it's an ongoing process which involves continuous testing of what we're doing, working with the results and further developing our marketing strategy.

Over the past three years we have:

- broken down our database to understand our audiences better
- undertaken a communications audit
- analysed what we were sending to people

and as a result

- developed and re-structured all of our print
- initiated a communications programme targeting neglected sectors and lapsed audiences

Our on-going testing has demonstrated that in some cases we saw a 50% increase in attendance among those lapsed customers that we targeted compared to those that we monitored who were not mailed. This represents an increase in income of £1,500 (approximately 300 tickets) per 1000 names that we mailed. And this is in a sector that we had previously ignored.

The South Bank Centre database

For those of you who don't know the South Bank Centre, I'll put this strategy into context. There are three halls, the Royal Festival Hall, Queen Elizabeth Hall and the Purcell Room which between them house 1000 events each year. These events attract roughly 800,000 paying audience members and £13million in ticket sales. The South Bank Centre promotes 40% of the events itself. 48% of all the events at the South Bank Centre are classical, 27% popular, 18% staged and 7% are various other types of performance.

Our biggest marketing asset is the database and we capture 80% of patron data per event (although we unfortunately are unable to capture customer details from door sales). The information is not released to third parties but we do allow the promoters of events at the South Bank Centre to mail the database through us and try, rather crudely, to control the information that our customers receive.

However, this resource was underused and under exploited.

Understanding our audience

With a database of this size, it is important that we have an understanding of our audience - but we didn't. So I commissioned research into ticket buyers for classical music events who made up the bulk of the database. We wanted to profile audiences, find out what motivated people to attend classical music generally and what motivated them to attend specific events. We did this through focus groups made up of new, frequent and lapsed customers drawn from the database.

The research told us that broadly:

- loyalty to individual ensembles was low
- concert choice was dictated generally by star names and repertoire
- the venue facilities and ambience were just as important as any other factor in determining whether people would attend a particular concert.

Most importantly, the research gave us a break down of our audiences into four distinct consumer types. This proved to be important in trying to understand why we had so many lapsed customers:

Conservative fanatics: 50+, mainly male, connoisseurs of classical music - the core audience

Mainstream Stalwarts: broader age range, 30+, even mix of male/female - they make up the principal audience by volume of the Royal Festival Hall

New Modernists: younger, 20+, particularly associated with 20th Century music, and far more experimental in their tastes

Good Time Novices: broad age range, first timers and very occasional attenders, the social event including the venue and its facilities are vital to their enjoyment of a night out

Each of these groups clearly had very different needs so a single piece of print was never going to be effective. What appealed to one group would turn off another.

Our assumption that our audiences were loyal to particular ensembles had dictated the way we produced our print. But it did not apply to the area of biggest growth potential, the mainstream stalwarts. For this group, our strategy had been completely wrong.

Communications audit

Mailing strategy

Our communications audit looked at what people on our database were being mailed to see if this explained why there was such a big drop off rate. We analysed which customers were mailed, how they were selected, how often they got mailings and the response and cost-effectiveness.

In the nine month period from April to December 1997, 524,000 individual letters were sent to around 200,000 customers taken from database. Mailing selections were made in isolation by promoters or the in-house marketing team. There was no overview or planning involved in the mailing process. Each promoter, with their limited budgets, wanted to target those customers with the greatest propensity to attend their event. Selection was therefore made by the frequency, recency and relevance of their past attendances.

With a database this large, it is easy to fill a 5,000 mail shot from within the core audience of frequent attenders. This meant that many records outside of the 'core' audience rapidly became redundant because they were never selected. Many customers were being mailed several times a month - they were effectively under siege from the Royal Festival Hall. When we compared our mailing activity with the sales histories of these customers, it became clear that our mailings had limited impact on the frequency of their attendance. We were preaching to the converted.

This core group of loyal customers are valuable to us because they represent the bulk of our income but they have limited long term growth potential. The real opportunity lay in the group we had abandoned. Infrequent attenders and new customers were only being given a couple of further chances to attend before our selection process was dumping them. We were making assumptions about their preferences and their loyalty at too early a stage in their relationship with us.

Fixing the problem

Once the research and analysis stage was completed, we started a communications programme which aimed to make our mailings more efficient and more effective. This enabled us to:

- identify lapsed patrons
- cap over mailing to core lists
- set up a computerised mailing monitoring system

- instigate a rule whereby promoters had to give us six weeks' notice of who they wanted to mail which gave us time to spot potential over mailing
- encourage shared mailing

Communication tools

We also looked at what we were sending to people on the database. We know from the research that one piece of print could not reflect the varying needs of consumer groups. We identified that the bulk of our print was aimed at *Conservative Fanatics* and all of it assumed level of knowledge about music that our volume audience simply didn't have. Most of the print was subscription based which demanded unrealistic levels of commitment from the sectors of our market that provided us with volume and potential growth. Our communications were also encouraging the revolving door syndrome.

New approaches to print

Whilst we have very little influence over the print produced by our promoters, we decided to try and make the message simpler and clearer for the vast majority of the volume audience that wasn't then being targeted by our own print.

We launched an orchestral music brochure. This sounds an obvious strategy for a concert hall, but we had never before listed in one brochure all the orchestral events available at the Royal Festival Hall. This revolutionised the way people were seeing us and the sales generated simply as a result of this brochure were phenomenal. We did the same with a contemporary music brochure, amalgamating the strands of music previously promoted in disparate pieces of print available in the venue. We took a similar approach to pre-concert events, simplifying, clarifying and , moving away from stuffy design and copy. All these pieces of print were targeted at the volume audiences with no ensemble loyalty who had been poorly served by previous communication tools.

Targeting the lapsed and infrequent attenders

We then developed specific campaigns to target our lapsed audience members. We knew from the focus groups that these people often responded to the social experience and emotional pull of concert-going. We had to avoid elitism and assume that this audience did not have an in-depth and sophisticated knowledge of classical music. We also wanted a fresh new design approach which was not 'classical'.

So we developed a piece of print that we named "VITAL" which we used purely for test mailing to see if it would be effective in encouraging lapsed patrons to reattend. It contained:

- 2 for 1 offer
- a free membership offer
- reply paid postcard to request further information

We mailed 20,000 lapsed attenders from the database. They returned 850 postcards, bought the entire allocation of 1200 tickets, generating £11,000 income.

We proved that the customers that had previously not been selected for mailings could be persuaded to attend again, but now we wanted to go one step further and refine the analysis to pinpoint how we might use the rest of our database, not just the classical music attenders. There were attenders of dance, literature and the visual arts who we had never targeted with classical music events.

We produced "VITAL 2" using the same successful design but placing a different emphasis on the free membership. We selected 74,500 names across 9 broad categories and divided each category into three. One third were sent the normal orchestral music brochure, one third the VITAL leaflet and the final third were not mailed with anything. This meant that 52,000 people received a mailing and 23,000 received nothing but their ticket purchases were monitored so we could evaluate the effectiveness of the mailings.

The selections were very complex which made the results difficult to analyse. The project showed us that sectors we had previously neglected, such as Hayward Gallery attenders, did surprisingly well and were hot

beds of potential attenders. We proved that producing a variety of print worked in stimulating various test groups to buy tickets. The orchestral brochure increased income by £1,600 per 1,000 people mailed - and don't forget this is from groups that were previously not selected for mailing because they had been deemed to have 'lapsed'.

VITAL increased income by £1,297 per 1,000 people mailed amongst lapsed attenders to non-classical events. However, VITAL didn't work as well amongst lapsed orchestral attenders. Neither did the orchestral brochure work as well among lapsed non-classical people. This was conclusive evidence of the need for different print for different groups.

On going evaluation

We now routinely remove up to 20% of each mailing selection and replace with test cells made up of lapsed attenders. We have a neglected members campaign in which we send the diary to 15,000 people a month. In the last six months we have gained 1,578 new members and 495 lapsed members have rejoined, a 9.6% response rate.

Our marketing focus is currently inward looking and we have not been touting for brand new patrons. We have a huge foundation of existing attenders that we need to build up and make strong before we can effectively manage new customers coming onto the database.

The net result

Over last 2 years, attendances for classical music on South Bank have reached an 18 year high. Orchestral concerts are averaging 70% capacity. We haven't yet stopped the revolving door but we have certainly applied the brakes!

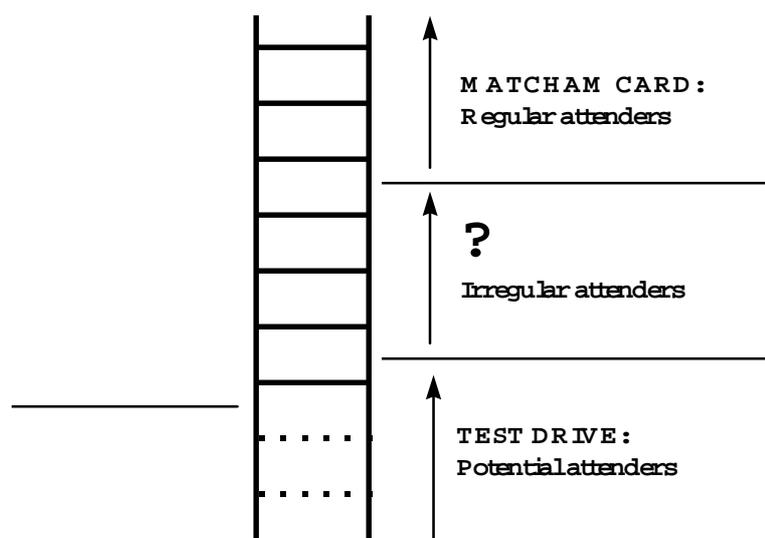
RETAINING FIRST TIME ATTENDERS

Helen Dunnett, Buxton Opera House

I'm going to talk about a telemarketing project I devised with Andrew McIntyre when he was at Arts About Manchester with whom we had already collaborated on a Test Drive the Arts project.

We had identified a missing link in the marketing strategy at the Opera House and so wanted to develop a long term strategy to address our difficulty in retaining first time attenders.

Buxton Opera House is 937 receiving venue which hosts a varied programme ranging from drama to brass bands and, of course, the Buxton Festival. We were successful at attracting first time attenders but not so successful at keeping them. We were addressing, if you like, the bottom and top rungs of the loyalty ladder: first time attenders with the Test Drive scheme and regular attenders through loyalty schemes such as our Matcham Card and Playlink scheme. But we, too, suffered from the revolving doors syndrome. In between these extremes, we had few marketing tools to develop our irregular and one-off attenders.



Teleprompt

Our target group was 7,000 patrons who we identified on our box office system as booking only once, but not in the last twelve months, and had spent less than £60. The missing link in our strategy was to persuade these one-off attenders who had lapsed to reattend and continue doing so.

The objectives of the campaign were simple - to prompt one-off attenders to return and to keep prompting and encouraging them until they reached their optimum frequency of attendance. Our hypothesis was that our existing print, press advertising and editorial and direct mail weren't persuasive enough to make patrons re-book because they are passive attenders. They are not buying into a continuing relationship with the Opera House. They would react to personal contact which would prompt them to take action.

The solution was a scheme which would

- use the telephone to build a more personal relationship with our customers
- offer a tailored information service about what's on at the theatre, what facilities the theatre had to offer, and information about transport, parking, booking and catering.

- adopt a soft-sell approach with no obligation to buy tickets or make bookings on the telephone, but with the aim of prompting action after the customer had received show information on the telephone and through the post
- maintain regular contact by calling every three to four months to give advance highlights of the season.

The scheme was more than just a talking brochure and avoided the potentially intrusive approach of telesales and so we named it "Teleprompt".

Method

We simply called our target attenders rather than waiting for them to call us. We used a carefully worded script which ensured that patrons knew this was a free information service, that we were not trying to sell tickets and there was no obligation to book. We gave detailed show information according to areas of interest such as drama, music, comedy and opera via a call sheet on the computer screen. We then followed that up with a mailing in which we sent a personalised letter, booking form, seating plan, brochure and show information sheets. We sent this additional print to reinforce the verbal message given on the telephone. Initially, we used individual show leaflets, but the quality of the print provided by the various promoters was so variable, we replace these with the information sheets entitled *The Facts About the Show* which included in-depth information such as newspaper quotes and interviews with cast members. Promoters have been encouraged to compile the information sheets themselves to reduce my workload.

We wanted to adopt good practice for action research and so set a SMART objective and ensured that we had a control group which would enable us to evaluate the effectiveness of the project.

Our objective was:

Specific	To call 400 patrons with 250 contactable and 200 calls accepted.
Measurable	By analysis of data from the box office computer system comparing the ticketing history of the test group with that of a control group who were not contacted.
Achievable	based on data from a successful pilot project.
Realistic	one member of staff making calls for six days per week at a rate of 5.9 calls per hour. This would give 35 calls per week. Administration and analysis would be carried out within existing staff time by the marketing team.
Timescale	January to March 1999

Results

Control group

The results from the 200 people in the control group were vital to the project because they gave a benchmark against which to compare the ticket purchases of the test group. These were patrons who had the same booking history and profile as the test group.

- 6% booked during the three month test period (12 patrons)
- spending a total of £250 (an average of £20.83 each)
- income from the control group: £1.25 per head

Test group

It proved relatively easy to recruit 200 people to the test group. We called 400 patrons and made contact with 250 within three attempts and 200 joined the Teleprompt scheme.

- 27% booked during the test period
- spending a total of £2,400 (an average of 42.11 each)

- income from the test group: £12 per head

The cost of the scheme was £600 leaving a net profit of £1,800. For every £1 we invested, we had £4 back in ticket sales.

	Control	Test
Number in group	200	200
Booked tickets in three months	6%	27%
Total spent	£250	£2,400
Less marketing costs	nil	£600
Net income	£250	£1,800
Income per patron	£1.25	£9.00

If we apply these results across the target group of 7,000 patrons, we can estimate that 3,500 people would be likely to join the TelePrompt scheme. That would yield a net profit of £27,000 in just three months.

We don't know what our retention rates for TelePrompt members are likely to be, but a conservative estimate would mean a yield of £50,000 profit over a year.

The future

The pilot project results meant that we decided to continue the project for another six months until April 2000 with the help of a Marketing Development Grant from North West Arts Board.

We are constantly fine-tuning the scheme, and we now have a team of three telemarketers working on it. By April 2000, we expect to have further results which will confirm those we have already achieved. If the project continues to be cost effective, maintaining or increasing its contribution to box office income, then I anticipate that Teleprompt will become an integral part of the Opera House's future marketing strategy.

This scheme is set to transfer to the West End with a project at English National Ballet.

I do need to end on a cautionary note. At my venue, current contract agreements mean that for every £1 we take at the box office, 80p goes back to the promoter or company. If the costs of TelePrompt are borne by the theatre alone, it makes a loss, even with a 4:1 return on investment. The theatre's 20% of box office income only makes 80p on that £1 investment and the promoter takes £3.20.

I would like to advocate that a national initiative is created for the long term funding of audience development - not just for one-off projects. Perhaps a simple way of achieving this would be a recommended percentage of box office income ring-fenced for audience development, making companies, promoters and funders partners in long-term, consistent programmes of audience building.

REVOLVING DOORS: PRACTICAL CASE STUDIES

GETTING ENGAGED AT THE TATE:

KEEPING AND DEVELOPING OUR VISITORS

Gerri Morris, Morris Hargreaves McIntyre

I started this project with the Tate Gallery in Liverpool in 1994 so what I am presenting today is a long term case study which reflects the long running and developing relationship the Tate has with its audience. We are, as always, very grateful to the Tate Gallery, Liverpool for being very generous and allowing us to disseminate this research.

The research programme

The Tate initially engaged me to lead them through an in-service training programme to assist the whole organisation in developing a greater degree of market focus. Together, we discovered that we couldn't move very far because, in common with most product focused organisations, the Tate lacked any data on its market. In consequence, there were a number of commonly held myths about visitors. The curators tended to believe that the visitors were all self-defining modern art lovers while the front of house staff observed that many people came in through the doors and walked straight out again. We needed to find some clarity so we embarked on a long-running and comprehensive research programme designed to fill in the gaps in the organisation's knowledge.

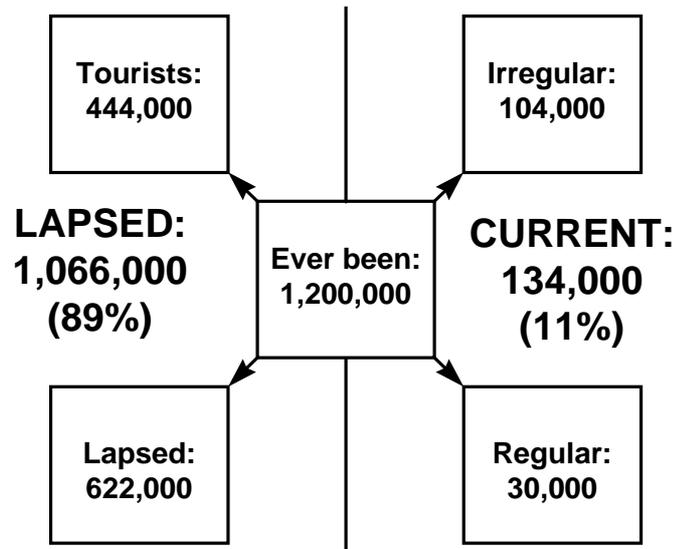
The research programme included collecting and analysing existing internal data on visitor figures by year, season, day of week etc. We also did a household survey within a catchment area around Liverpool to look at levels of awareness, market penetration, positioning and lapsing. Alongside was a visitor survey which ended up being rolled out into a 15 month research programme. We had to do it over such a long period because the Tate Gallery is located on Albert Dock which has an enormous flow-through of day visitors and tourists. If we took a snap shot at one particular time of year, we would not get a representative picture of the ebbs and flows of tourists against domestic visitors. After a year, we needed to test the patterns we had identified against a second year. This research was accompanied by focus groups to explore the needs, motivations, perceptions and responses of existing and potential attenders.

The kind of information we wanted to gather ranged widely from the very basic to the more sophisticated. For example, we knew the number of visits the Tate got, but we needed to find out how many visitors that represented. At the other end of the spectrum, we needed to find out why the number of first-time visitors was always very high but the total number of attenders was beginning to drop now that the gallery had been open for about five years.

Audience structure

This issue in particular led us to look at the audience structure. An analysis of visitor origination and frequency against the internal visitor data offered a crucial insight. We calculated that there were 1.2 million individuals who had visited the gallery since it had opened. Of these, 444,000 were tourists and could be reasonably expected not to return. There was a core of 30,000 regular attenders who were coming several times a year and another group of an estimated 104,000 irregular attenders. These last two groups accounted for the current attendance of 134,000 over this period at the gallery. This meant that there was a huge reservoir of over 600,000 lapsed attenders.

The Tate gallery was converting first-time attenders into lapsed attenders with one spin of the revolving door. We now needed to look at what was causing this.



The current market were not all self-defining modern art lovers. 45% of them were first time visitors and 41% of attenders had very little or no knowledge of modern art. Of the 45% of first time visitors, 30% were incidental visitors who had just drifted into the building. They had popped in because they were in the vicinity as part of a general day trip to visit the cafés, shops, the Beatles Museum and maybe the National Museums and Galleries on Merseyside. 25% of repeat visitors were also incidental. This divided the current attenders into four distinct groups.

	FIRST TIMERS	REPEAT VISITORS
INTENTIONAL	15%	30%
INCIDENTAL	30%	25%

From the focus groups, we were able to identify that these different groups of visitors had different needs which formed a hierarchy starting with the needs of the visitor who was new to the building or new to modern art. These corresponded with steps in the development of visitor confidence.

New or uninformed visitors have a need to find their way into the building without “blowing their image”; to feel comfortable within the building and to find their way around without drawing undue attention to themselves as new or unfamiliar. Once they feel comfortable with the building and can move around with confidence, they can start to explore and make connections and relax a bit. This level of engagement can be quite fleeting for first time and incidental visitors. It might just mean skimming the exhibits because there is nothing in the building that leads them to want to spend two and a half hours there. However short the visit, there needs to be some level of interaction between the visitor and the exhibits.

Immersion

Involvement

Stimulation

Discovery

Exploration

Orientation

As visitors gain in confidence, they become more proactive in their engagement with the art works. They seek out information for themselves, and develop strands of interest to pursue. Finally, the visitor is knowledgeable and confident with the subject matter and becomes quite self-sufficient. This type of visitor selects for themselves the type of interaction, if any, they wish to have with the gallery and are likely not read the interpretation material at all, opting for a state of spiritual isolation where they can just be at one with their choice of exhibits.

We can see this hierarchy of needs as the progression an individual might make in the development of their interest in an art form and it might take them several years, or even a lifetime, to progress up the ladder. It could equally be used to describe the process any visitor goes through at different speeds as they enter an unfamiliar building.

It could also be used to describe the needs of different groups of visitor, all of which might be in the building at any one time. A family group might have the need for a gallery assistant to talk to them about work that's in an exhibition because parents desperately want to avoid speaking out loud to their children about something they know nothing about. At the same time, the confident visitor prefers the place not to be filled up with families because they just want to get in their and have a quiet fix of soul food for the day. The gallery has to wrestle with the fact that all of these conflicting needs have to be met.

Fulfilling visitor needs

At the Orientation stage, the Tate Gallery identified that they need to establish relationship with the visitor as soon as they walk in by making them feel welcome and provide:

- Easy access orientation plans
- Detailed floor-by-floor signage
- Free information media targeted at people who have very little knowledge of modern art
- Proactive assistants rather than "guards" of the art works

As visitors move up the hierarchy, their needs change. At the level of Stimulation, for example, people feel ready to select their own information, putting head sets on or watching a video for 20 minutes. The Tate now needs to provide:

- Audio and video guides
- Information rooms
- Detailed contextual information
- Informed assistants

We could now distinguish four different groups of visitor and design separate responses to their needs.

	FIRST TIMERS	REPEAT VISITORS
INTENTIONAL	Longer visits Self programmed Highly motivated Self sufficient	
INCIDENTAL	Less knowledgeable Need reason to return	Window shopping for intentional return visits Spiritual oasis

Adapting the marketing mix

The Tate also needs to develop a different marketing mix for each segment in order to attract more people of these types and with these needs:

Process

	FIRST TIMERS	REPEAT VISITORS
INTENTIONAL	Guided tours Info to take away Internal signage Quick guides Animateurs	Guided tours Info study facilities Videos Audio guides Detailed contextual information Depth guides
INCIDENTAL	Internal signage Quick guides Animateurs	Info study facilities Videos Audio guides Detailed contextual information

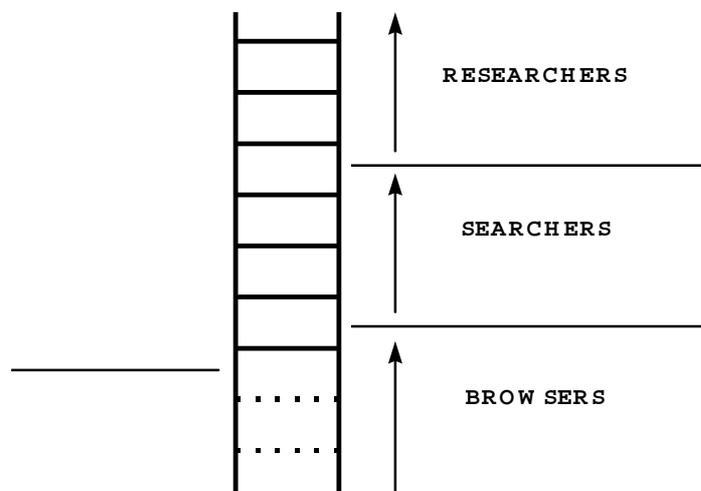
Promotion

	FIRST TIMERS	REPEAT VISITORS
INTENTIONAL	Exhibition print in other outlets Generic print Word of mouth Crossover mailings Test Drive Advertising Outreach	Advance exhibition print Direct mail Advance signage
INCIDENTAL	External signage Transparency of building Generic advertising around dock	As above

A ladder of learning

In their Lottery application for refurbishment, The Tate Gallery, Liverpool have acknowledged these different visitor needs. They aimed to stratify the Gallery so that they could give people at the Orientation stage a lot of guidance and help on the ground floor and, as people move up the building, respond to increased levels of confidence with the work. Whereas the building used to house the paid for exhibitions on the ground floor, they are now on the top floor to acknowledge that it takes a bit of commitment to get all the way up there.

The way that information is provided within the building recognises this ladder of learning. People go in as a *Browser*, become more of a *Searcher* through repeat visits, and then gaining sufficient confidence to engage in their own research.



Gallery assistants are trained to be proactive providers of information and to meet this very wide range of needs.

Testing the results

We are going through another year of rolling research but evaluating the project will take time because we need to measure retention rates, including visitors who might not come back for another 18 months or so.

In the short term, we are measuring the levels at which people are engaging with what is being exhibited as a result of this newly designed way of helping people relate to the work. We're nine months into this phase of the research programme with another three months to go, but already some encouraging results are coming through.

- Three times as many visitors are aware of the gallery assistants than in 1994/5 (from 19% to 59%)
- Three times as many visitors are reading the redesigned short labels next to each exhibit (25% to 75%)
- There has been a significant increase in the take up of exhibition information leaflets within the gallery (29% to 47%)
- A greater number of visitors are finding the adjusted quantities of information provided to be "about right" (71% to 88%)
- All of this is reflected in a marked increase in people coming because of a recommendation by word of mouth (23% to 32%)

The Tate Gallery, Liverpool is strongly aware that visitor retention is about constant market focus. To achieve it, everyone at the Gallery has to work together. They constantly develop and fine-tune their approach; they listen to visitors and are receptive to what they have to say; and they are committed to carefully monitoring their progress. They have made an impressive start to the process but see it as something that will be carrying on for a while yet.

SUMMARY AND CONCLUSIONS

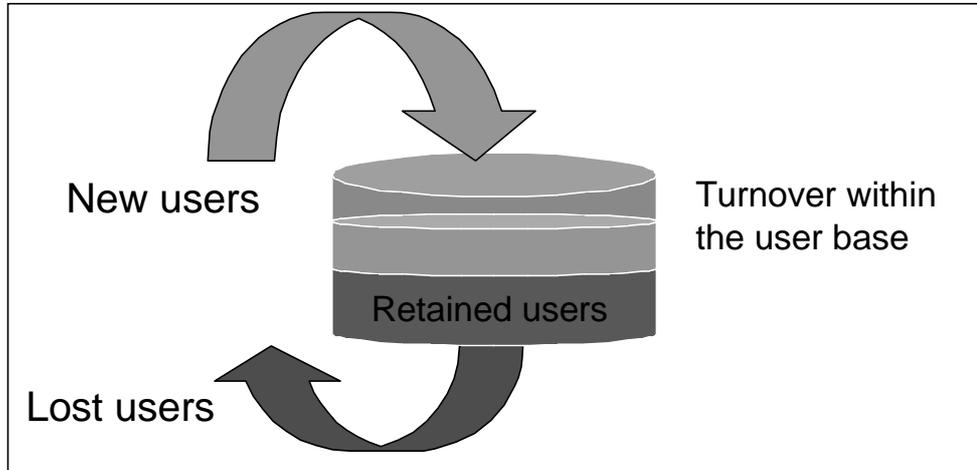
Stephen Cashman, Developing Audiences in the North

Today, we heard from Martin Christopher about the importance of relationships, and how we need to go beyond the basic statistics of getting and keeping audiences and start thinking about the quality of our relationship with our audiences. We heard from Andrew McIntyre about some projects in progress looking at how psychographic segmentation in the arts might be used as a new way of thinking about audiences. After tea we heard some impressive presentations about ways in which we can increase levels of retention.

Now, I don't want to be a wet blanket, but I think there is a big "but" involved here - a challenge. We've got case study material which shows what's happening with retention measured in different ways but how do each of us find out how well our organisations are doing at getting new audiences and visitors and keeping old ones? What can we use as a comparison?

We've got Target Group Index (T.G.I.) data, which is enormously valuable because it allows us to tell how we're doing relative to national levels of attendance or visits. But what can we use to tell us how well we're doing in retaining audiences? Where are the measures that enable us to see whether 50% retention is good or bad? We don't have them.

Let's go back to the basic notion of revolving doors which ties up with Martin Christopher's concept of churn. Churn is a term that originated in the mobile phone industry (which doesn't mean it's a bad thing). It's about audience turnover. Maybe a better, but more derogatory, metaphor for churn is not revolving doors but leaky buckets. Although the bucket is leaking at the bottom and is losing water, the tap is running and filling it up again. If the bucket is losing water through the leak faster than the tap is running then the level in the bucket falls.



At any given moment, any organisation's audience or visitor base is going to be made up of these components:

- people we've kept from previous seasons or events (the water in the bucket)
- new users (the tap)
- people we've lost (the leak)

We need to find out if our bucket is filling or emptying. We can do this by measuring each of these components and the rate at which our audience base is turning over - the rate of churn.

Here's a fictional example:

	Season 1	% of base	Season 2	% of base
Number active at start	2,000	100%	2,850	100%
No activity during season	1,700	85%	1,000	35%
Retained users	300	15%	1,850	65%
Returned users	250	13%	125	4%
New users acquired	2,300	115%	3,000	105%
Number active at end	2,850	143%	4,975	175%
Net change	850		2,125	
%ge churn rate	43%		75%	

It works just like a cash flow. Start off with the number of people who were active bookers at the start of whatever particular period you want to look at. Here, it is a season. Subtract the number of people who did not buy tickets during the season to find out how many people you retained ($2,000 - 1,700 = 300$). Add on the lapsed bookers who did not buy tickets in the previous season but who became active bookers again in this ($300 + 250 = 550$). Add on the new bookers who bought tickets for the first time in this season. You then have the number of active bookers during season 1 ($550 + 2,300 = 2,850$). Calculate the difference (850) as a percentage of the number of active bookers you started with (43%). This is your percentage churn rate.

If we were to do this on a national basis, we would have a set of national statistics which would enable us all to tell how well we're doing, whether we are good or bad at retaining customers?

But there are some questions to which we need to agree an answer before we can go any further:

- What constitutes an 'active' user?
- What constitutes a 'lost' or 'lapsed' user?
- Which period of time should be used as a basis?
- What is a 'good' or 'bad' level of churn?
- How can it be monitored in the absence of a ticketing database?

We also need to take into account operational considerations or variables which might mean that we should expect different rates of churn in different situations:

- Strategic priorities
- Artform and programme mix
- Operational pattern (e.g. receiving touring productions or exhibitions, producing work or showing a permanent collection)
- Regional / National location
- Seasonal or other extraneous factors

What is the way forward? The Board of the Arts Marketing Association is thinking about undertaking a feasibility project to start addressing some of these issues. It wants to

- identify which of the variables listed above should be taken into account in a standardised version of churn
- explore how we could collect data to come up with national statistics
- look at ways of publishing the statistics so we can all use them.

The starting point for the project will be to form a working group - and the A.M.A. are looking for volunteers.

SPEAKERS' BIOGRAPHIES

Stephen Cashman

Stephen is the Chief Executive of Developing Audiences in the North (DAN). A Durham University Business School MBA, Stephen has spent 15 years working in arts management and marketing posts for a range of organisations including the Bath Fring Festival, the Royal Opera House, the Philharmonia Orchestra and the Northern Sinfonia.

From 1994 to 1998 he worked as an independent consultant specialising in strategic management, marketing and training for subsidised arts organisations. During this period, he was an independent assessor for the Arts Council Lottery, with other clients including the Arts Council of England; the Brewery Arts Centre, Kendal; The Dukes, Lancaster; The Empire Theatre, Consett; North West Arts; the Northern Orchestral Consortium and Northern Stage. He was also course leader and senior lecturer in Arts Management at the University of Northumbria at Newcastle.

Stephen is currently a board member of the Arts marketing Association and the Network of Audience Development Agencies. He was recently appointed to the Arts Council's advisory panel on touring and is the Course Director for the Theatrical Management Association's Advanced Marketing Course at Kielder Water.

Martin Christopher BA, MSc, PhD

Martin is Professor of Marketing and Logistics at Cranfield School of Management. Cranfield is one of Europe's major business schools and its work in marketing and logistics is recognised around the world. Martin has taught on executive programmes world wide and is a regular presenter to practitioner conferences and workshops.

His consultancy clients have included many of the world's leading organisations and he is a non-executive director of a number of companies.

His interest in relationship marketing extends back over many years and he has published widely on this subject including the first recognised analysis for this important topic - *Relationship Marketing* published by Heinemann in 1992.

Chris Denton

Chris is the Marketing Manager, Classical Music at the Royal Festival Hall, Queen Elizabeth Hall and the Purcell Room on the South Bank.

After graduating with a music degree from Goldsmiths' College, London, Chris entered the world of magazine publishing. Working on sales and marketing campaigns to attract advertisers for several leading weekly magazines for the construction industry, Chris utilised direct mail and telesales marketing technique to full effect in a very competitive marketplace. From here, Chris joined the Philharmonia Orchestra as Group Sales manager where he was responsible for launching a highly successful sales strategy which yielded an income of nearly £100,000 a year. He then became Head of Sales and marketing for the Philharmonia with responsibility for their London season and the launch of their (then) new Bedford and Leicester residencies. During his time with the Philharmonia, subscription sales increased to an all time high.

Chris joined the Royal Festival Hall in 1997 with responsibility for spearheading new initiatives to focus marketing activity for classical music and to develop generic campaigns to raise awareness of the diverse range of programming at the venue. He has developed major projects to co-ordinate the marketing of resident and associate artists, to raise the profile of classical music and has looked at new ways of targeting wider audiences. In the last season, audiences for classical music on the South Bank reached their highest level for 18 years.

Helen Dunnett

Having begun her career in music publishing, Helen moved into arts marketing in 1993. She has worked for the Scottish Chamber Orchestra as Publicity Officer, the Hallé Orchestra as Press and PR Officer, Acting head of Marketing and Press and Marketing Manager (all in the space of two years). Helen is now Marketing Manager for Buxton Opera House. She is responsible for planning and developing the marketing strategy and in her spare time has also acted as IT Systems Manager, researching and buying a new computer system for the theatre.

Whilst at the Hallé Orchestra, Helen worked on the very first Test Drive the Arts scheme, which was pioneered by the Hallé in 1996/7 with Arts About Manchester. She has subsequently presented the results of the scheme to the Arts Council and at Arts About Manchester's launch of the Test Drive the Arts at the Bridgewater Hall, Manchester.

Her work on TelePrompt has just been recognised with the award of a Marketing Development Grant from North West Arts Board.

Andrew McIntyre

After eight successful years as head of Research at Arts About Manchester, Andrew has joined forces with long-term collaborators Gerri Morris and Jo Hargreaves and is a Director of the new consultancy, Morris Hargreaves McIntyre. He has undertaken over 150 research projects focusing on customer behaviour and audience development. In particular, he has concentrated on the development of models and a psychographic approach to market segmentation. This theory has been put into practice in a number of high profile action research programmes. Perhaps the best known of these is Test Drive the Arts which has recruited over 30,000 new attenders at a wide range of art forms.

Gerri Morris

Gerri is a Director of Morris Hargreaves McIntyre and a leading consultant and trainer in arts marketing and management. She has been working in this field for over 20 years including posts as Head of Marketing at the Belgrade, Coventry; Liverpool Playhouse and the Royal Exchange Theatre, Manchester and Marketing Officer for both North West Arts Board and Yorkshire and Humberside Arts Board. She began working as a consultant eleven years ago.

Gerri was a founder member of the Arts Marketing Association and Arts About Manchester and is a Board Member of Cornerhouse in Manchester. She has published extensively and is currently completing an MBA, focusing on the development of psychographic segmentation as a route to audience development in the arts.