Building Audiences for Sustainability

New Strategies for Success in Audience Research and Development

League of American Orchestras – June 3, 2019
Agenda

• Introduction

• Building Audiences for Sustainability (BAS) frameworks

• Examples of the frameworks in action
  • Refining assumptions
  • Assessing outcomes and impact
  • Implications for continuous learning

• Reflections on learning: Baltimore Symphony Orchestra

• Discussion
Introduction
The Wallace Foundation

- Our mission is to foster
  - improvements in learning and enrichment for disadvantaged children and
  - the vitality of the arts for everyone.

- We seek benefits for those organizations we fund directly – and benefits for the field by developing and sharing credible, relevant knowledge.
Wallace’s strategic approach

Understand the Context
(Engage with the external environment to identify knowledge gaps, field interest, and barriers)

Catalyze Broad Impact
(Improve practice and policy nationwide)

Generate Improvements and Insights
(Build promising new approaches and new evidence/knowledge)
We’ve learned lessons about effective practices to build audiences
We asked arts leaders about their greatest challenges.

**Fundraising, revenue**
- Fundraising overall (74%)
- Finding stable revenue sources (72%)
- Cultivating individual donors (62%)
- Dealing with funders that shift priorities (49%)

**Building audiences**
- Attracting new audiences while retaining current ones (48%)
- Developing effective strategies to expand audiences (48%)
- Increased competition from other entertainment options (40%)

**Lack of time**
- Having enough time to think and reflect (58%)
- Trying to avoid professional burnout (40%)

**Board development**
- Recruiting an effective board (45%)

*Market research conducted in 2014 by The Wallace Foundation among 500 arts leaders. Top 10 out of 27 possible “major challenges.”*
Current initiative:
Building Audiences for Sustainability (BAS)

Guiding questions:
• Can arts organizations build new audiences while retaining current audiences?
• Can they do so in ways that contribute to organizations’ financial health?

BAS launched in the spring of 2015 and has 25 participating performing arts organizations that represent:
• Five disciplines (producing and/or presenting);
• Range of sizes ($1.5M to $70M+ in annual budgets); and,
• Cities from across the country.
BAS’s core approach: continuous learning

Target audience

Market research and analysis

Audience building activities

Design

Decide

Implement

Analyze
BAS target audiences and activities

Target audience types

- Age
  - Millennial
  - GenX

- Ethnicity
  - Black/African-American
  - Latinx
  - Asian-Pacific Islander
  - Racially and ethnically diverse

- Behavioral
  - Infrequent ticket buyers
  - Current “classics” ticket buyers

- Psychographic
  - “Adventurous” mindset

Activity types

- Engagement activities
  - Pre- or post-performance parties
  - Preview events
  - Lobby installations

- New series or programs
  - “New work”
  - Emerging artists
  - Cross-genre
  - Art form introductions

- Marketing
  - Targeted campaigns
  - Brand campaigns
  - Apps
BAS frameworks
In the spirit of continuous learning, we consistently asked to what extent activities were successful.

In the early years of BAS, we struggled to achieve concise answers that related activity results to the organization’s broader audience building goals, strategic priorities, and other efforts.

Therefore, we applied two supporting frameworks to provide structure and widen the lens of inquiry:

- **Theory of Change**: to document and refine the goals of and reasoning behind activities.
- **Cost-benefit analysis**: to evaluate whether the results of activities were worth the resources needed to execute it.
Theory of Change (ToC)

- **Problem statement**
  - Issue you wish to tackle through the project.

- **Assumptions**
  - Conditions you believe exist that are necessary for the success of your project.

- **Inputs and activities**
  - Resources and tactics you will use to execute the project.

- **Outputs**
  - Countable results of your activities.

- **Outcomes**
  - Changes in perception or behavior that will result from your activities over the medium term.

- **Impact**
  - Broader change your project will achieve, over the long term, to support your mission.
Cost-benefit analysis (CBA)

- **Benefits**: Tangible and intangible gains that you believe result from an activity.

- **Costs**: Resources expended to execute an activity.

- **Weighing costs and benefits**: Consideration of whether the benefits justify the costs given:
  - Achieved outputs, outcomes, and impact; and,
  - Potential other uses of the same resources.
Applying the frameworks

- We observed that widening the lens of inquiry could help sharpen our understanding and evaluation of audience building efforts.
  - Using research, data, and analysis to anchor this effort was integral to testing presuppositions.

- Today, we’ll discuss five examples of this drawn from individual organizations:
  - Three about reconsidering assumptions.
  - Two about reaching a different assessment of outputs, outcomes, and impact.

- Ultimately, we think discussing activities in this way leads to more informed conversations about activities to keep, activities to jettison, and what success looks like.
Reconsidering assumptions
Widening the lens: Assumptions

- Our initial assumptions about audience building activities focused primarily on the target audience.

- Widening the lens meant explicitly considering, at a granular level:
  
  Where do I currently stand with audiences?  
  How does (or could) my target audience relate to my overall audience?

- Our examples look at the following:
  - Audience base and the “leaky bucket”  
  - Relationship between revenue and audiences  
  - Choosing a target audience
Audience base and the “leaky bucket”

What we assumed:
Current audience bases provide predictable bases to build upon.

What we saw:
Audience bases were dynamic, with multiple underlying trends.
Overall audience trends
 Subscriber trends in more detail

- Recent audiences are building over time.
- The loss of longer-term audiences is occurring at a faster rate.

Questions this prompted: In actuality, is staying flat great success?
Single ticket trends in more detail

- Attraction varies from year to year, but is declining.
- First year retention is steady over time, averaging 16%.

Questions this prompted: What's driving the peaks and valleys in single ticket buyers? Is there anything we can do to smooth them? Do we care more about attraction or retention?
Relationship between revenue and audiences

What we assumed:
Revenue and audience households have a direct, positive relationship.

What we saw:
Households and revenue did not always move in tandem.
Trends in subscriber households and revenue

- Subscriber household and revenue trends moved in opposite directions.
- From 2013 to 2017, gross average spend increased from $310 to $483 per season.

Questions this prompted:
If we are increasing ticket revenue, do we care if households are declining?
Average spend differences

- On average, the households who have been with the organization longer spend more.
- It’s unclear whether the 2015 and later cohorts will reach the same average spend levels as the 2011 cohort.

Questions this prompted:
How might my attraction and retention goals change given what I know about ticket spend?
Choosing a target audience

What we assumed:
Choosing a target audience is straightforward.

What we saw:
Target audience groups that seem promising could lead to small or unviable groups.
An organization chose a target audience of:
- Recent single ticket buyers,
- Who had returned in a subsequent season,
- And previously attended “classic” work only
with the intention of getting these buyers to attend new work.

Based on the high number of new single ticket buyers each year, and the fact that most single ticket buyers attend “classic” work, the size of this target audience pool initially seemed quite large:

- 14,250 new single ticket buyers over a two year period...
- 13,400 of those first attended “classic” work
Target audience after closer examination

- When focusing the pool on returning single ticket buyers, the potential households who fit the target definition shrank.

Of the 13,400 who first attended “classic” work...

1,400 returned at least once since their first purchase...

...and 1,200 of those had attended only “classic” work

12,000 did not return

200 purchased new work on their own

Questions this prompted:
What potential do I need to see in an audience target to make it worth pursuing?
Summary

- Understanding where you currently stand with audiences can help:
  - Clarify which assumptions are validated and which are unconfirmed.
  - Set feasible outcomes and impacts.
  - Define anticipated costs and benefits, and determine how to track them.
  - Identify the most pressing problems to address.
Assessing outputs
Widening the lens: Outputs

- Our initial assessment of audience building activities focused on execution and countable results (outputs).

- Widening the lens meant explicitly considering results in light of organizational aspirations:
  
  Given the costs, are these results providing *sufficient movement* towards my desired audience building outcomes? To what extent are these results *materially advancing* my desired impact?

- Our examples look at the following:
  - Audience behavior beyond the first purchase
  - Balancing audience, financial, and intangible benefits
Audience behavior beyond first purchase

Assessing outputs:
Are our activities attracting audiences? In particular, are they attracting the target?

Assessing outcomes and impact:
Over time, are target audiences behaving in the way we hypothesized they would?
Theory of change: audience behavior

Project description
- **Problem statement**: Main season subscription households are declining
- **Target audience**: New-to-file (NTF) buyers
- **Activity**: New program that introduces the art form

Outcomes and impact
- **Desired outcome**: NTF buyers cross over to purchase main season tickets.
- **Intended impact**: Main season attendance increases due to an expanded pool of loyal buyers.
Program outputs and audience movement

<table>
<thead>
<tr>
<th></th>
<th>Yr 1</th>
<th>Yr 2</th>
<th>Yr 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introductory program attendance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total program households</td>
<td>230</td>
<td>265</td>
<td>375</td>
</tr>
<tr>
<td>NTF households</td>
<td>160</td>
<td>200</td>
<td>240</td>
</tr>
<tr>
<td><strong>Crossover households</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crossover households*</td>
<td>30</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>Crossover households as % of total program</td>
<td>13%</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Overall audience context</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total audience households</td>
<td>5,015</td>
<td>5,190</td>
<td>4,885</td>
</tr>
<tr>
<td>Crossover households as of % total audience</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

*Crossover households: NTF households who subsequently purchase a ticket to the main season

Questions this prompted: How do we value benefits to audiences other than our target? How do we balance the future potential of target audiences with the current costs of attracting and stewarding them?
Balancing benefits

Assessing outputs:
Are our activities generating increased attendance and gross revenue over time?

Assessing outcomes and impact:
What’s the portfolio of benefits from these activities? Do the benefits justify the net financial impact and opportunity cost?
Theory of change: balancing benefits

Project description

- **Problem statement:** Current audience is aging; younger audiences are not replacing them
- **Target audience:** Audiences under 40
- **Project:** Two series featuring emerging artists
  - **Series A:** New programming format for the organization.
  - **Series B:** Extension of current programming format.

Outcomes and impact

- **Desired outcome:** Establish programs that are especially attractive to the target audience and generate buzz.
- **Intended impact:** Create a season portfolio that engages younger audiences and is financially sustainable.
## Audience and financial outputs

<table>
<thead>
<tr>
<th></th>
<th>Series A New programming format</th>
<th>Series B Current program extension</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yr 1</td>
<td>Yr 2</td>
</tr>
<tr>
<td>Total households</td>
<td>570</td>
<td>640</td>
</tr>
<tr>
<td>Earned revenue</td>
<td>$38K</td>
<td>$50K</td>
</tr>
<tr>
<td>Production and marketing expense</td>
<td>$122K</td>
<td>$117K</td>
</tr>
<tr>
<td>Net income</td>
<td>-$84K</td>
<td>-$67K</td>
</tr>
</tbody>
</table>

**Questions this prompted:**

Given all of our programs and audience goals, where do we want to concentrate resources?

How long should we wait for an activity to achieve its stated outcomes?
Summary

- Assessing outputs in light of outcomes and impact had the potential to spur more reflective conversations about:
  - **Scale**: Is this activity affecting enough people to achieve outcomes and impact? Could it?
  - **Opportunity cost**: Is this where I want to be spending my limited institutional resources?
  - **Intangible benefits**: Are the mission/social/community benefits worth the financial costs? Could they?
Concluding thoughts

- Widening the lens sets us up to have deeper and potentially more productive conversations.
  - Data, analysis, and research reveal complexities that fuel these conversations.

- It usually doesn’t make conversations easier or make choices for you.

- Engaging in conversations like these does ask you to be clear and honest about:
  - What you’re pursuing;
  - Why you’re pursuing it; and,
  - Whether your current course can truly accomplish what you’re asking of it.