REVENUE STABILITY FOR A MAJOR ART MUSEUM

The Situation

A major art museum was facing overall decreases in attendance. Over the preceding five year period annual attendance had dropped steadily from about 1.7 million visitors to one million. Annual losses were growing, and the museum's leadership was concerned.

The Issues to Address

The situation was far from straightforward. Because of falling attendance, revenues from fees, parking and concessions were dwindling. Additionally there were fewer new and renewed memberships. While a major exhibition could potentially boost attendance and revenues, the museum was looking for more than a quick fix. To resolve its financial issues the museum needed to increase its attendance numbers steadily and reliably, while staying true to its mission of curating and presenting a wide variety of art. Wellspring Consulting was asked to work with the museum to address these issues as part of the development of a comprehensive 10-year strategic plan.

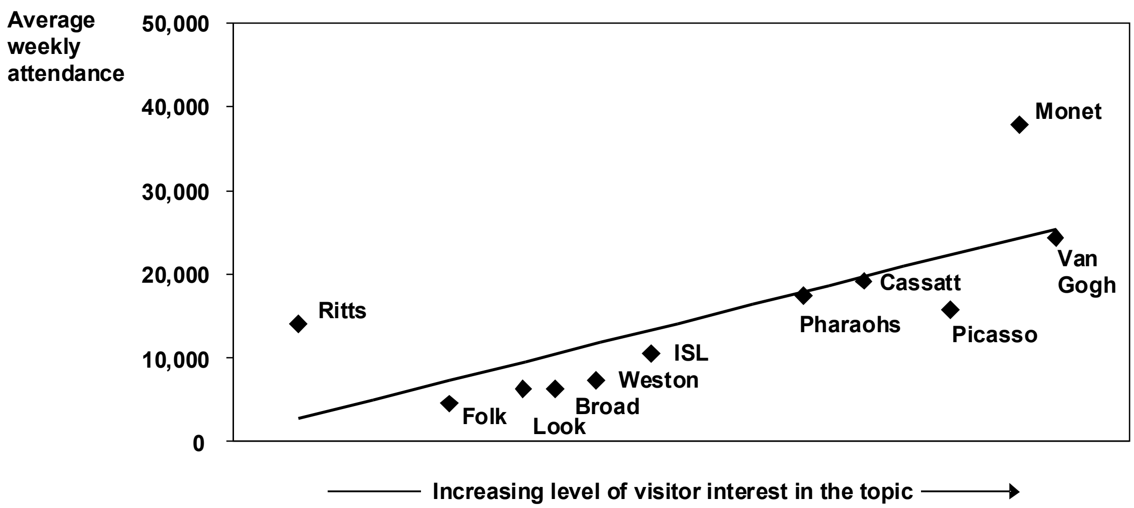
Analysis and Findings

In looking carefully at the Museum's core capabilities, its position in the community, its programmatic offerings, and its performance to date, we identified a series of strategic goals that were essential to the museum's future well-being. Among these were a set of audience-based imperatives for the Museum: to more deeply understand the needs of its visitors, to enhance the experience of these visitors, and to rework its schedule of special exhibitions.

This led to a series of activities, including close observation of visitors as they made their way around the museum, interviews and surveys of visitors as they left the museum to learn more about their preferences, and careful review of the demographics and characteristics of those coming to the museum.

As one aspect of this work, we began to look carefully at the schedule of special exhibitions being presented by the Museum. In some years, special exhibitions brought in a surge of people, with a commensurate rise in net financial contribution. And while the traffic to special exhibitions seemed to be a primary factor influencing the financial performance of the museum each year, the Museum did not have a systematic way to predict expected revenues based on the special exhibition schedule planned.

By thoughtfully interviewing and surveying the museum visitors, we were able to develop a predictive model of attendance, based on the attractiveness of different exhibitions. As shown in the graph below, a greater number of visitors could be expected to come to some shows vs. others. And, the data gathered from visitors could be used to predict attendance to shown in the future.



Changes Made

Using this relationship along with additional data we had gathered on exhibition costs, marketing expenditures, and audience responses, the Museum began to think in new ways about its portfolio of special exhibitions. Close attention had to be paid to the objectives of ensuring intellectual and educational impact while simultaneously attracting visitors and balancing income and expense. Because our analysis indicated that no single exhibition could achieve all of these goals, we worked with the Museum to develop a systematic approach that would allow different shows to achieve different ends. A four-level scale was adopted, with the most attractive "blockbuster" artists such as Van Gogh ranked as Level One (blockbusters), major figures like Ansel Adams ranked Level Two, interesting but less-well-known artists or topics such as Art Deco or Cubism were Level Three, and lesser-known artists or topics such as David Hockney or Medieval Manuscripts were Level Four.

The Museum then began to develop future exhibition schedules to achieve its varied goals by including one Level One, six Level Two, six Level Three, and two Level Four exhibitions each year. This target portfolio would generate roughly the same annual attendance, it was projected to increase overall revenues and markedly reduce volatility in the revenue stream.

Interestingly, the Monet and Ritts shows were the two data points that lay substantially above the predictive line. These had received differentially more advertising and public media attention, indicating the importance of such outreach and support. Using this and other data, we were able to provide a direct indication of the value of marketing in bringing audience to the museum, an analysis that helped the Museum make better decisions about marketing expenditures in the future.

Our findings also indicated that by re-assigning some of the Museum's limited marketing spend away from Level One exhibitions and focusing it on Level Two and Level Three shows, greater overall yield in attendance could be accomplished, while also exposing the museum's visitors to a broader variety of art.

RESULTS

As a result of these changes, the Museum began to see steady increases in its attendance levels, and was able to more reliably predict its expected revenues on a year-to-year basis. This led to increased confidence from donors and supporters, and greater stability for the museum and its future.