

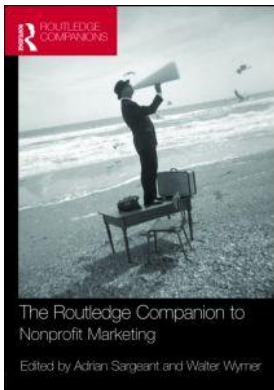
This article was downloaded by: 10.2.97.136

On: 27 Mar 2023

Access details: *subscription number*

Publisher: *Routledge*

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: 5 Howick Place, London SW1P 1WG, UK



The Routledge Companion to Nonprofit Marketing

Adrian Sargeant, Walter Wymer

Implications of government funding and support for marketing programmes of nonprofit performing-arts organizations

Publication details

<https://test.routledgehandbooks.com/doi/10.4324/9780203936023.ch13>

John B. Ford, Theresa A. Kirchner

Published online on: 22 Nov 2007

How to cite :- John B. Ford, Theresa A. Kirchner. 22 Nov 2007, *Implications of government funding and support for marketing programmes of nonprofit performing-arts organizations from: The Routledge Companion to Nonprofit Marketing* Routledge

Accessed on: 27 Mar 2023

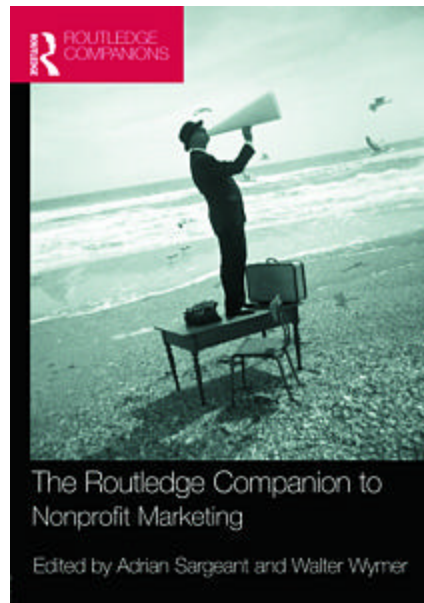
<https://test.routledgehandbooks.com/doi/10.4324/9780203936023.ch13>

PLEASE SCROLL DOWN FOR DOCUMENT

Full terms and conditions of use: <https://test.routledgehandbooks.com/legal-notices/terms>

This Document PDF may be used for research, teaching and private study purposes. Any substantial or systematic reproductions, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The publisher shall not be liable for an loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.



ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing*, © 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection; individual chapters, the contributors, Routledge, Page cover.

First published 2008
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Simultaneously published in the USA and Canada
by Routledge
270 Madison Avenue, New York NY 10016

Routledge is an imprint of the Taylor & Francis Group, an informa business

To purchase your own copy of this or any of Taylor & Francis or Routledge's collection of thousands of eBooks please go to www.eBookstore.tandf.co.uk

© 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection;
individual chapters,
the contributors

Typeset in Bembo by RefineCatch Ltd

Printed and bound in Great Britain by
TJ International Ltd, Padstow, Cornwall

All rights reserved. No part of this book may be reprinted or reproduced or utilized in any form or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data

A catalog record has been requested for this book

ISBN10: 0-415-41727-9 (hbk)
ISBN10: 0-203-93602-7 (ebk)
ISBN13: 978-0-415-41727-3 (hbk)
ISBN13: 978-0-203-93602-3 (ebk)

13

Implications of government funding and support for marketing programmes of nonprofit performing-arts organizations

John B. Ford and Theresa A. Kirchner

Introduction

This chapter concentrates on the implications of government support for the marketing of nonprofit performing-arts organizations to income-contributing external stakeholders: private donors, performance attendees and governments. It presents a detailed discussion of the implications of cultural economics for government support of arts organizations. It then examines the characteristics and implications of government subsidies for the arts, such as the nature of government subsidies, the funding process, the various granting organizations and individuals, the different levels of funding available, and the expectations and requirements associated with receiving funds. Finally, marketing for the performing arts in the context of government support is examined, including marketing tools and techniques which can help arts organizations to acquire funding in order to grow and thrive. The chapter concludes with high-level managerial implications related to the topic of nonprofit performing-arts marketing, and opportunities for future research from both the practitioner/consultant and academic perspectives.

The performing arts are a unique and significant global sector. For example, revenues from admissions for performing arts organizations in the USA reached \$10.6 billion in 2001, with a consumption figure of \$37.20 per person (Nichols 2003). However, these organizations have historically been viewed as unable to survive relying solely on ticket sales to cover expenses, requiring them to turn to contributions from public as well as private sources (Schulze and Ursprung 2000). Government support has therefore traditionally been acknowledged as a necessity for the survival of performing-arts organizations (Baumol and Bowen 1966). More recently, other economic-related views of the desirability and importance of public support have emerged. One such view involves crowding theory, the concept that government support for the arts may actually be harmful as well as helpful to the extent that, as a source of income, it can 'crowd out' or stifle the inherent motivation of organizations to engage aggressively in marketing to achieve earned or privately contributed income. Another view of the economics of arts organizations involves the bottom-line recognition, by governments and their publics, that the arts are a good public investment and can contribute substantially to all levels of the economy, for example, through the ripple effects of arts organizations salaries; entertainment

taxes; and positive effects on complementary organizations, such as restaurants patronized by arts attendees in conjunction with performances (Frey 2003). A primary source of funding for performing-arts organizations in a variety of countries is the government, which supports the performing arts at national, regional and local levels. Although governments, in general, recognize the desirability of supporting the arts, the nature and focus of that support has shifted in recent years. Competition, from other arts and non-arts organizations, for available funding and other support is fierce. Constantly changing governmental spending priorities, including requirements for matching support by private funders for arts support, are forcing an increasing reliance by arts organizations upon private funding (Brooks 2003). In addition, governments in a number of western countries have implemented requirements for arts organizations to show evidence of long-term viability in order to justify subsidizations (McDonald and Harrison 2002).

Marketing in nonprofit performing-arts organizations has traditionally concentrated on current and potential ticket buyers and season subscribers. Those organizations are increasingly addressing the traditional financial issues associated with the sector with the realization that doing so may require marketing to those and other stakeholders with more sophisticated strategic marketing tools and techniques (Arnold and Tapp 2003). For those organizations, continued governmental support and long-term viability may depend upon the appropriate use of marketing research, marketing strategy development, implementation and ongoing assessment to prove that financial subsidies are warranted (Rentschler *et al.* 2002).

Figure 13.1 provides a heuristic of the scope of nonprofit arts marketing in the context of government support and a high-level overview of material covered in the chapter. As the top level indicates, there is a growing consensus that nonprofit arts organizations can benefit from the implementation of strategic management and marketing concepts and tools that have traditionally been applied to for-profit companies. Strategic planning begins with development of strategic and business plans with specific, measurable goals and objectives. A detailed,

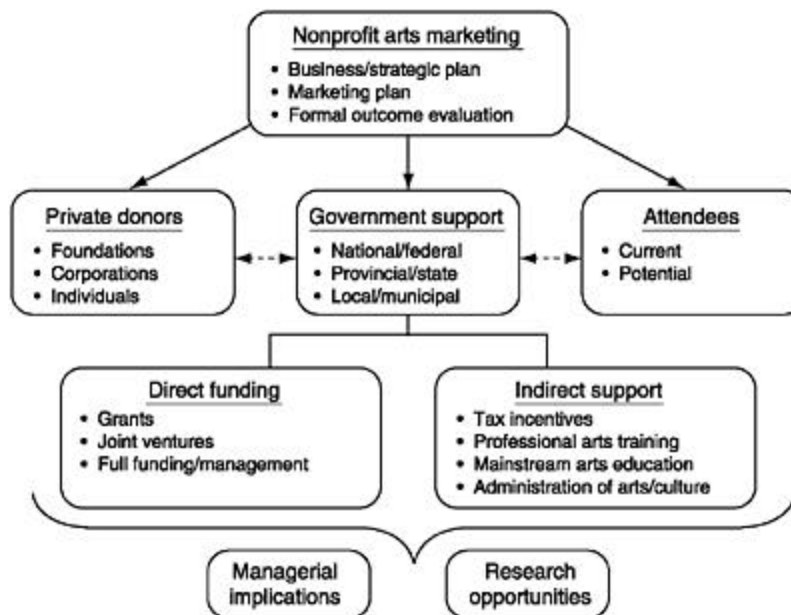


Figure 13.1 The scope of nonprofit arts marketing, with emphasis on government support

comprehensive, marketing plan should then be built based on those higher-level plans, with periodic assessment of results, relative to both organizational and marketing goals and objectives (Byrnes 2003).

Marketing tools and techniques can be applied to arts organization fundraising from private donors. However, in most arts organizations, marketing (e.g. advertising, public relations, ticket sales) and fundraising are looked at and worked on as two separate organizational functions, despite the typically significant overlap between attendees and donors. We propose that, as the second level of Figure 13.1 indicates, a comprehensive marketing plan should include a nonprofit's arts marketing programme triangle which integrates not only marketing to private donors and attendees, but also to providers of government support at all levels: national/federal, regional/provincial/state and local/municipal.

The arrows between the groups of income-contributing external stakeholders outlined on the second level of Figure 13.1 suggest both that there are opportunities for integrated marketing to different types of stakeholders, and that success in marketing to one type of stakeholder has implications for marketing results for other stakeholders. For example, Brooks's (1999) research indicates that government funding does not negatively impact on, or 'crowd out', private donations for arts organizations. In fact, a positive implication for recipients of government funding is that private donors may view that funding as validation of the merits of those organizations and may therefore donate more readily to them. In addition, receipt of private donor support and/or healthy attendance may be viewed by government support agencies as indications of organizational health and viability, which are increasingly important factors in government-funding decisions.

The concept of marketing to governments to obtain or maximize support is a relatively new one, and few arts organizational marketing programmes include the integration of specific marketing goals, objectives and activities targeting governments for either direct funding or indirect support. As indicated at the third level of Figure 13.1, direct funding includes grants, joint ventures and, in some cases, full funding or management by the government. Indirect support can take the form of tax incentives, professional arts training, mainstream arts education and administration of arts/culture.

Implications of cultural economics for government support of arts organizations

The study of governmental support for the arts is facilitated by the relatively recent emergence of cultural economics as a field of study, which focuses on the application of economic theory to the arts. The first application of economic thinking in a cultural arts context was found in the work of Baumol and Bowen (1966), which involved an examination of government funding for the arts in the USA and noted that a basic dilemma is that arts organizations face continuously rising resource and operating expenses due to inflation but are limited in their ability to demonstrate significant productivity gains because of fixed human resource requirements for performers. Research in the area of cultural economics was later extended to the UK by Peacock in 1969. Netzer (1978) studied twenty years of policy creation and suggested that governmental policy involving the arts is predicated upon two concerns: the potential for market failure (inefficient allocation of resources) and the desire for social/cultural equality. According to market failure theory, the performing arts generally have no opportunity to achieve productivity improvements over time; therefore, market failure is a near certainty.

Baumol (1995) referred to the productivity problem as a ‘cost disease’, noting that the performing arts do not lend themselves to automation or to downsizing. This cost-disease problem is often compounded by inflation, as inflationary pressures on the arts outstrip those of other industries. Baumol reported that arts costs have risen more than seven hundred times higher than the general rate of inflation since the Second World War, largely due to the inflation-driven rising human resource costs for performers as well as operations and administrative personnel. As a result, government support for the arts is a necessity for survival of the arts as an industry.

Other economic factors related to government support of the arts have emerged in recent years. First, several related ‘crowding theories’ have emerged, which suggest that: (a) donations from one contributing stakeholder may be either positively or negatively affected by contributions of other stakeholders; (b) government support can ‘crowd out’ or negatively impact on the perception by arts organization managers of the need to market to and solicit from other potential funding sources in an assertive way; and (c) from an artistic standpoint, performing arts may be negatively affected by public support in terms of ‘crowding out’ of intrinsic motivation and creativity (Frey 2003; Brooks 1999). Another factor favouring government intervention in terms of support is the resulting significant direct and indirect economic impact, with spillover benefits to externalities (e.g. business and society) that are both financial and cultural (Heaney and Heaney 2003). There are many stakeholders that may be negatively affected by the loss of government funding, such as arts organizations, individual artists, corporate donors, local communities, foundations, society and governments themselves (Radbourne 1998). Offerings by arts organizations provide perceived social and cultural advantages for citizens which spur government intervention to keep those organizations functioning (Frey 2003; Schuster 1999). A serious concern is that without government support, the arts will regress to amateur status in terms of both quality and variety, which would leave society in a poorer state (Baumol 1995).

Characteristics and implications of government subsidies for the arts

Government subsidies traditionally have comprised a large percentage of the operating budgets for performing-arts organizations. In terms of arts spending by the government as a percentage of gross domestic product, Canada is at the highest relative position in terms of English-speaking countries, followed by the UK and Australia percentages (NEA 2000). The USA lags far behind, due largely to the proportionally small size of public sector direct support relative to support by the private sector. The USA supports the arts, in large part, by forgoing taxes from nonprofit organizations and allowing tax-free contributions to nonprofit organizations from private citizens and corporations (Schuster 1987).

A serious issue facing US arts organizations is the fairly steady decline in government funding experienced over the last ten to fifteen years. Funding provided by the US National Endowment for the Arts dropped a staggering 40 per cent from 1992 to 1996, and this trend appears to be continuing. The UK has faced similar pressures, but Canada and Australia have experienced actual increases in government subsidization for the arts as a whole. It is important to note that while Australia has experienced overall funding increases, these have been offset by an increasing number of recipient firms, thereby reducing the amount given to each firm as a proportion of the overall Australian government budget (Arts Council of England Policy Research and Planning Department 1998).

Government support for the arts typically takes three forms: direct, indirect and induced subsidies. Direct subsidies involve direct cash payments to arts

organizations (Netzer 1978).

ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing*, © 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection; individual chapters, the contributors, Routledge, Page 230.

Indirect support takes the forms of tax deductions for private contributors and government expenditures for arts-related needs such as professional training, formal educational programmes, and administration of the arts (Feist *et al.* 1998). Finally, induced subsidies include such spillover benefits as enhancing the well-being of society, preserving civilized values (Gainer 1989) and the use of the arts to attract tourists (Peacock 2000).

Who are the recipients of governmental support? Both arts organizations and individual artists can receive direct funds from the government. These typically involve traditional grants for which the receiving firm or individual develops a funding proposal, outlining how the objectives for the granting agency will be fulfilled through the monies awarded. Company personnel or individual artists can also scan available research funding proposals (RFPs) to see which could apply to the particular organization in question. In terms of indirect subsidies, both individual and corporate donors can share in government support in terms of being exempt from taxes on contributions made to nonprofit arts organizations. Communities can also receive benefits through induced subsidies allowing the arts to provide a better quality of life for citizens and attractions for visitors.

What are typical levels of governmental funding? Funding can be provided at one or more of three different levels (Gainer 1989). First, and most importantly, subsidies can be provided from national or federal agencies. As previously mentioned, the National Endowment for the Arts is the most significant provider of governmental funding for arts organizations in the USA, and similar organizations exist in other countries. Western countries have long provided subsidies for the arts, and a number of countries have established clear policies governing support for the arts, with national agencies created to oversee these subsidizations. The first national agency, the Ministry of Culture, was founded in France in 1959, and was later followed by the USA with the National Endowment for the Arts (NEA), the UK with the forerunner for the Department of Culture, Media and Sport (DCMS), and the Netherlands with the Ministry of Culture, Recreation and Social Work in 1965. Sweden and Germany created similar organizations in 1974. Since then, many other countries have developed their own national/federal agencies to oversee the development of culture/the arts. These types of governmental agencies are founded on the perceived need for government support for the arts, based on the cultural economics concepts previously discussed in this chapter. They are concerned with improving the quality of life for their citizens while preserving cultural arts and heritage. The emphasis placed on arts funding differs. France, Sweden and Germany place the burden on public entities for the administration of arts organizations, while the USA places greater emphasis on the arts as a private responsibility. The NEA does not have permanent funds. Each fiscal year the US Congress allocates a certain amount to the NEA to accomplish its mission. NEA grants often require matching funds from private organizations. The DCMS falls in between the emphases of public responsibility in France and Germany and the US focus on private support. The DCMS typically provides funds through some kind of intermediary for arts organizations other than national museums and art galleries (Peacock 2000). Along with differing levels of private versus public support of the arts, there are varying degrees of control applied by the governments regarding what is presented/displayed. The USA, with its hands-off approach, does little to control artistic offerings, while France and Germany exert far more pressure on recipient organizations (Schulze and Ursprung 2000).

A second level of government support is found at provincial/state levels. Where provinces (e.g. Canada) and states (e.g. the USA) have their own separate governmental structures, many of the same concerns that affect national funding may also be found. Again, cultural economics can be seen to affect the decision-making of governmental officials even at this more focused level of responsibility.

Often, these types of agencies are established to supplement the work

ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing*, © 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection; individual chapters, the contributors, Routledge, Page 231.

done by national funding agencies, since the needs of the individual states and provinces are typically better understood by local legislators than by more disconnected national regulators. In the USA, each separate state has its own arts funding organization. For example, the New York State Council on the Arts offers grants to statewide arts organizations through its grant proposal process, which takes place on 1 March of each year. This organization also provides a series of resources that are readily available for both arts organizations and individual artists that reside within the state boundaries. Canada and Australia have similar organizations (e.g. the British Columbia Arts Council and the Queensland Arts Council). These organizations provide additional funding and resource support to various statewide/provincial arts organizations and individual artists.

The lowest level of governmental funding organization can be found at the local/municipal level, where there often is a governmental structure, in the form of a local arts commission or council, responsible for the well-being of the local population. These organizations have much narrower funding scopes and provide funding and resource support for local arts organizations and individual artists. Typically, the broader the scope of the governmental agencies, the fewer the organizations that receive needed funding, resulting in a hierarchy of funding prospects for the arts. National agencies want to achieve the greatest good for the greatest number of citizens, which often precludes the funding requests of small organizations and forces proposals to be sent to lower agencies in the hierarchy.

Given the emphasis on private donations in the USA, the types of organizations that are targeted for funding relief are usually private donors, in the form of foundations, corporations and individual citizens. Foundations, such as the Ford Foundation or the Aspen Institute, provide funding for projects that coincide with their altruistic goals for the community, including the improvement of the living conditions of its citizens. For foundation funding, the applying organization needs to show how money received will not only alleviate its financial needs but also contribute to the accomplishment of key goals of the funding foundation. Corporations, on the other hand, are often focused on key image-enhancement initiatives which result in making them perceived as good community citizens. As with government funding, the larger the corporation, the more important the arts organization or project may need to be to warrant significant donations. A particularly important factor is that even large corporations have branch offices in local communities, and often there is a corporate policy to foster community giving and involvement for purposes of image and reputation enhancement. The need for visible presence in the community presents even the smallest arts organizations with opportunities for funding. Finally, arts organizations can also obtain smaller funding grants from individuals. This normally involves funding drives in local communities to support particular arts organizations. Fundraising might include telemarketing efforts to reach individuals/ families who are potential donors. The focus of these efforts should consider the past arts contributions of those individuals. Usually these types of givers look for tax advantages related to their gifts and give to nonprofit arts organizations to both alleviate the organization's financial burdens and acquire a resulting good feeling of charitable responsibility and preferential status (Sargeant *et al.* 2006).

What do funding agencies expect in return for their grants? There is increasing demand from private and public donors for recipient arts organizations to show financial responsibility. Continued viability of the receiving organization is an indication that the money being provided by the government agency is not wasted or squandered. Recipient organizations typically must account for how funding was spent and demonstrate that they have used the money to improve their positions in the marketplace. The failures of various nonprofit arts organizations that were once believed to be financially viable raise the need for tight controls

and accountability, the achievement of meaningful and measurable goals, and efficiencies gained through the proper use of newer technologies, including innovative marketing techniques (Rentschler and Potter 1996).

Another expectation is that artistic works presented reflect quality and integrity. This may preclude the performance of questionable works and require feasibility studies to enhance the chances of success. What specific performance measures could be used to demonstrate success? Typical performance criteria include audience attendance numbers, theatre occupancy rates and subscription revenues. However, it should be noted that these types of measures do not indicate the actual financial health and viability of the arts organization. Increasingly, arts organization executive directors are concentrating on the 'bottom line' in terms of measures like annual surplus/deficit.

Marketing for the performing arts in the context of government support

Laczniak and Murphy (1977) suggested, thirty years ago, that development of marketing objectives, strategies and campaigns enables nonprofit arts organizations to achieve both financial and artistic objectives. Improved performance can be achieved with the evolution of management from an 'impresarial' to a structured administration and the introduction of sound business practices and marketing savvy (Peterson 1986).

Marketing concepts, tools and techniques should be adopted and supported in the context of strategic planning to enhance the chances of success in terms of acquiring government financial support as well as improving performance with both existing patrons and donors (individuals, corporations and foundations) and new ones. While this section addresses marketing for nonprofit arts organizations in a general way, an organization's detailed marketing programme should be developed to include marketing to all external income-contributing stakeholders, including government funders. Specific marketing strategies, tools and techniques should be applied individually and targeted to the specific government, private donor or individual ticketbuyer or season ticket-buyer involved. Figure 13.2 provides a model of important components of the marketing process that must be adopted and effectively utilized to achieve optimal results.

For nonprofit performing arts organizations, the use of marketing is not a luxury – it is a necessity. Until relatively recently, for many arts organizations, 'marketing' typically was limited to relatively rudimentary public relations and advertising activities (Byrne 2003). Kaali-Nagy and Garrison first proposed, in 1972, that for performing arts organizations to be successful in terms of expanding audiences and raising revenues, they must use demographic and arts/cultural activity analyses to develop appropriate target markets and effective marketing strategies. Studies indicate that educational level and income are the two most important variables in this type of segmentation analysis (Dimaggio *et al.* 1978; Hoffman and Fritschner 1984). Other important factors include the reputations of performers and artistic directors (Belk and Andreason 1980; Currim *et al.* 1981), age of attendees, and the time necessary to travel to the performance venue (Fitzhugh 1983; Garbarino and Johnson 1999). What makes marketing even more vital are the elusive aesthetic and intangible aspects of the performing arts, since without effective marketing, there is little to help the consumer to tangibilize the artistic offering. As with all services organizations, making what is intangible as close to tangible as possible is necessary in order for an organization to differentiate itself from the competition and enable the consumer to see the benefits associated with its offerings.

For performing-arts organizations, the nature of competition is increasingly

intense as new forms of entertainment become relevant substitutes, such as cable TV, the Internet, movies

ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing*, © 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection; individual chapters, the contributors, Routledge, Page 233.

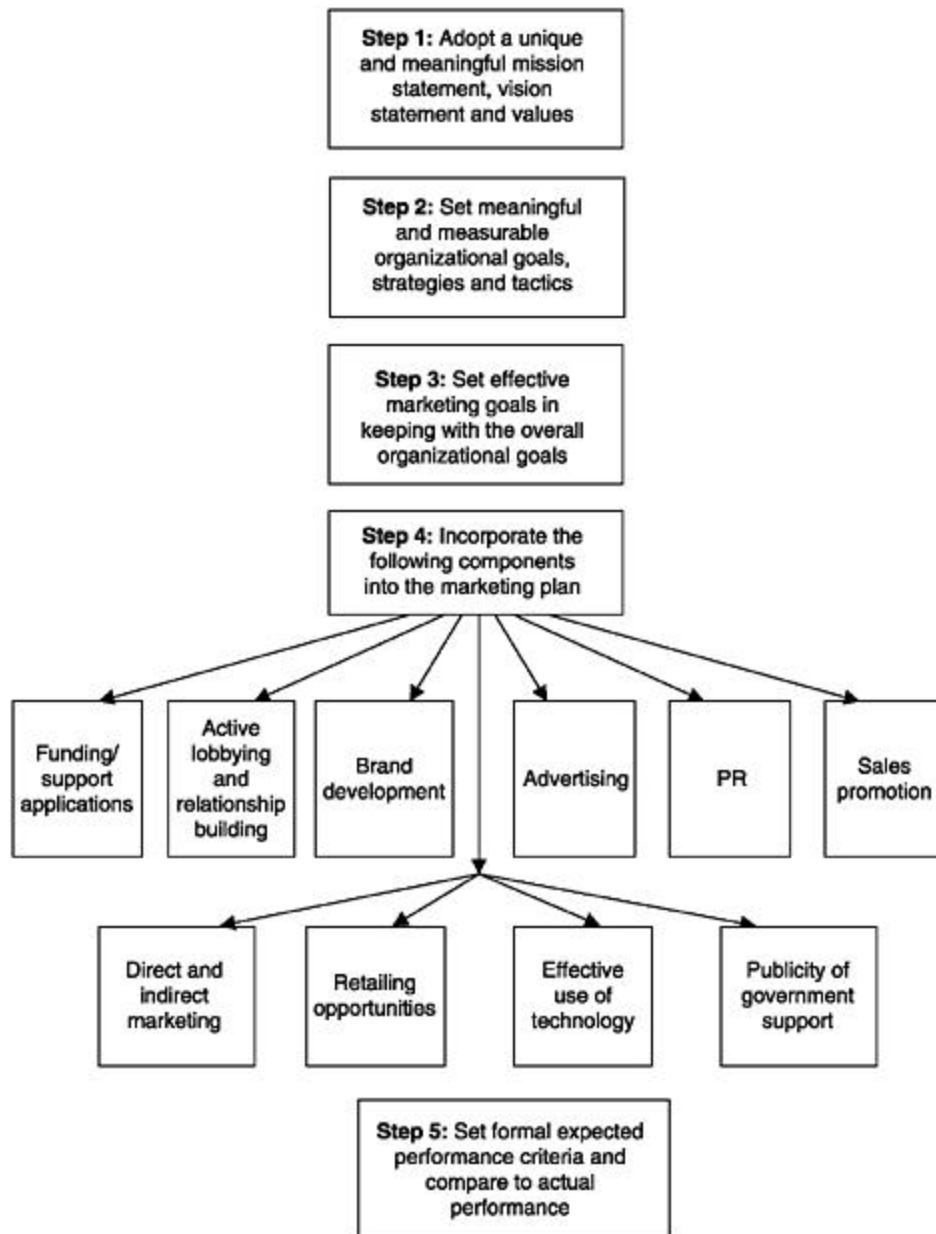


Figure 13.2 Model for effective marketing for nonprofit performing-arts organizations

(cinema) and sporting events. A problem currently faced by performing-arts organizations is confusion as to exactly what marketing entails and how it should be utilized by nonprofit arts organizations (Scheff and Kotler 1996). McDonald and Harrison (2002) noted that, until relatively recently, many performing-arts organizations were guilty of using traditional public relations and advertising almost exclusively, neglecting other marketing opportunities. Advertising and public relations are only pieces of the overall marketing puzzle, and companies

choosing not to go further and utilize strategic marketing and management techniques have not reached their potential. Adopting sophisticated marketing tools and techniques can be important for success, and those organizations which adopt a market orientation are more likely to create a market-oriented organizational culture, which should directly lead to increased resources, greater customer satisfaction and enhanced image and brand reputation (Gainer and Padanyi 2002). Sargeant *et al.* (2002) suggested that the concept of market orientation, while developed in the context of large national and multinational firms, can effectively be adapted for nonprofit organizations, taking not the form of a traditional market orientation so much as a 'societal orientation'. McDonald and Harrison (2002) identified the following relevant components of marketing for nonprofit organizations: (a) market assessment; (b) customer segmentation; (c) product development; (d) pricing; (e) distribution; (f) servicing; (g) sales force (for purposes of ticket sales and donor identification/development); (h) sales promotion (incentives to help with ticketing and donors); and (i) advertising. They then delineated relevant aspects of public relations which should be added to marketing efforts: (a) publications (brochures, programmes, etc.); (b) event creation; (c) news items; (d) community relationship building and development; (e) media identification; (f) lobbying; and (g) social initiatives and investment. They proposed a series of items that are representative of a hybridization of marketing and public relations for use by nonprofits: (a) image assessment; (b) customer satisfaction; (c) perceptual surveys; (d) media strategy; (e) corporate advertising; and (f) internal marketing (employee attitude assessment).

In keeping with previous findings, Arnold and Tapp (2003) proposed that performing-arts organizations should utilize those activities which aid in the building of relationships with customers and donors (including governments), which facilitate the conversion to a truly market-oriented entity, and which involve direct marketing to reach carefully selected target customers. We propose three key factors in the achievement of those goals: (a) the building of a market orientation; (b) the use of relationship marketing; and (c) the careful use of direct marketing tools and techniques. These factors comprise a synergistic combination which is invaluable for performing-arts organizations. Each of these components will now be discussed in greater detail.

First, market orientation is necessary, because it focuses the firm's efforts on being customercentred. Mechanisms are put in place which allow access to customers to collect information about their particular wants and needs and then disseminate it to those within the organization who need it in order to develop artistic offerings that meet the expectations of the customers. This market orientation requires that the firm be skilled at the identification of proper target segments which is vital for success. Information can be gathered from the identified segments and the offerings shaped accordingly. For performing-arts organizations, this should involve the careful analysis of patron attendance patterns and contribution efforts (Andreassen and Belk 1980). Rentschler (1998) reported that performing-arts organizations which do these types of analyses may often use the information primarily for political reasons rather than using it strategically to shape their offerings to competitive advantage by building greater loyalty in patrons and donors. Andreassen (1985) also suggested the use of environmental scanning to determine social and cultural changes that may affect patron behaviour and preferences. Database management systems, combined with seasonal attendance forecasting, and promotional and fundraising strategies, can be particularly helpful in enabling nonprofit arts organizations to develop optimal audiences and adapt their offerings to satisfy attendees (Desai *et al.* 2001).

Relationship-marketing tools and techniques can also significantly improve nonprofit performing arts organizations' results. Relationship marketing has been embraced by many major for-profit corporations, and the benefits associated with

also apply to the nonprofit sector as well. It focuses on the creation of intimate relationships between the company and its customers/donors, and this requires an assessment of the lifetime value of each customer/donor group so that the most important ones are catered to, and fewer resources are spent on unprofitable customers. McCort (1994) highlighted the usefulness of relationship marketing to build ticket sales and donor development, which can then allow for the development of catered offerings and unique pricing to enhance long-term profitable relationships being built with both audience patrons and individual/corporate donors (Bhattacharya *et al.* 1995). Rentschler *et al.* (2002) found that relationship marketing is well suited to the arts, since the products/performances involved are highly experiential and require emotional investments. They proposed the development of a loyalty ladder for arts patrons which involves mutual exchange and fulfilment of promises to move individuals and corporations to higher levels of the loyalty ladder and improve financial results. This concept is also supported by Garbarino and Johnson (1999), who noted that the firm must treat individual ticket-buyers differently from season-ticket buyers. Satisfaction is a concern for the individual ticket-buyer, while trust and commitment keep the season-ticket subscriber involved. If the performing arts organization does its relationship building well, it may be possible to convert the single ticketbuyer into a season-ticket subscriber. Treating all customers in the same way would not be an effective way to accomplish that transition, especially since industry research indicates that, with increasing choices and options, patrons are increasingly less interested in buying season-ticket subscriptions which lock them into a fixed number of performances. Scheff (1999) suggested that strategic opportunities for converting the single ticket-buyer to a subscriber could include offering extended payment options and liberal ticket-exchange programmes.

The third group of strategic marketing tools and techniques involves direct marketing through avenues such as personal letters, e-mail and home and mobile telephones, which offer unique opportunities to reach both existing and potential audience patrons and givers. As Sargeant *et al.* (2006) found, communications are an important mechanism for motivating donors to continue to give to a nonprofit. Direct marketing should be used to facilitate two-way communication between the performing-arts organization and its various audiences/ targets with the end goal of building loyalty and long-term profitable relationships (Bhattacharya *et al.* 1995). Simmel and Berger (2000) proposed that ideal mechanisms for doing this are one-on-one telefundraising and telemarketing, when combined with well-written scripts for use by fundraisers/contact personnel. While research indicates that, generally, performing-arts organizations have been slow to adopt marketing tools and techniques, Desai *et al.* (2001) suggested that they have been relatively quick to adopt the use of database marketing, which, when combined with sound strategic planning, should aid greatly in developing competitive advantage, which can ensure not only survival but success.

Will the application of marketing tools and techniques be sufficient to make the organization successful? While it appears to be clear from the research that nonprofit performing-arts organizations which have chosen to adopt appropriate marketing tools and techniques have tended to achieve improvements in their performance, achieving long-term competitive advantage and success will take more than that. Adopting a market orientation and the necessary accompanying customer focus requires a change in organizational culture. The firm cannot just go through the motions of saying that it is customer focused. It has to live this out in its values and practices. What helps to make this happen is a top-down organizational push to change the culture, with the executive director and all management embracing the philosophy underlying the new cultural change. It also requires the effective use of new technologies. Kirchner *et al.* (2006) found that, in a study of US symphony

orchestras, organizations that invested in the implementation of marketing tools and techniques were more likely to receive governmental

ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing*, © 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection; individual chapters, the contributors, Routledge, Page 236.

resources. Of course, just spending money for the sake of spending money does not ensure that governmental agencies will continue funding nonprofit performing arts organizations, but being able to demonstrate how those monies have improved performance will make a strong case for relevance and viability. Kirchner *et al.* (2006) raise an interesting question in their study: is it not possible that firms which spend less on marketing activities can perform better financially without those additional expenses? The intuitive answer is that while that may give the appearance of solvency in the short term, it may lead to disaster in the long run, as the firm finds itself offering and publicizing less and less of what the patrons want and expect. Sound marketing, strategic information gathering and strategic plan development and implementation are the keys to competitive advantage.

Managerial implications

So, what does the information outlined above mean for managers of performing-arts organizations? First, the idea that marketing in nonprofit performing-arts organizations should take the form of a comprehensive organizational programme which integrates efforts to maximize resources obtained from all income-contributing external stakeholders to meet organizational goals is a powerful one (Byrnes 2003). Managers of arts organizations should leverage strategic management and marketing concepts found in the for-profit corporate environment and apply them appropriately. They should review their marketing programmes to ensure that they address marketing goals, objectives and results in terms of both fundraising and ticket sales, and that they target and leverage support from private donors and government support, as well as event attendees. Important synergies can be achieved by recognizing opportunities for support from a variety of sources, and increasingly, arts organizations are successfully developing joint projects and related funding requests and appeals, which both donors and attendees at various levels often find interesting and worthy of support.

From the standpoint of publicity, advertising and public relations, organizations should be aware of the potential benefits of publicizing all support received in a variety of ways, to both external and internal stakeholders. While managers may instinctively fear that news of grants, awards and significant contributions may contribute to a perception that the organization is not in need of additional support, research indicates that ‘crowding out’ of new support by previous support is probably not an issue for nonprofit arts organizations (Brooks 1999).

Nonprofit performing arts organizations should seek to avoid rewarding major donors or politically powerful individuals with important marketing-related positions. Marketing programme development and responsibility should go to those properly trained and experienced in the subject area. Responsible, trained professionals may seem to be a luxury for NPOs, but the improper placement of untrained individuals can be disastrous (Ford and Mottner 2003).

Managers should also evaluate their marketing programme components in terms of the model outlined in Figure 13.2, to ensure that key factors such as marketing-mix elements, market segmentation and technology investments reflect an integrated stakeholder orientation. They may want to consider combining traditional marketing, fundraising and funding application functions under a single marketing executive rather than have those areas function in a conventional stove-piped organizational structure.

In terms of developing or enhancing a highly effective marketing programme, managers should adopt a top-down approach. The strategic planning process should drive the marketing programme, beginning with adoption of a mission statement, vision statement and values. Meaningful and measurable organizational goals,

strategies and tactics should be derived from

ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing*, © 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection; individual chapters, the contributors, Routledge, Page 237.

the mission and vision statements and values of the organization. Marketing goals, objectives and strategies should be developed to achieve organizational goals, and they should provide a framework for achieving desired results for all stakeholders. Finally, criteria for performance outcome evaluation should be established in conjunction with development of marketing objectives, and actual performance should be assessed in terms of expected performance (Byrnes 2003).

Opportunities for future research

From a micro-marketing standpoint, arts organizations and consultants can use market research techniques to explore implications of the integrated stakeholder marketing approach outlined in this chapter for their organizations and environments. They may want to band together with other arts organizations in their sectors or geographic areas to optimize the results of research efforts and investments.

Arts organizations can also take advantage of larger-scale opportunities for industry or sector-oriented research, which may be funded and supported by governments, private foundations and/or corporations. An example is the 2005 Knight Foundation research project, which explored the conceptual and practical possibilities related to cooperative marketing initiatives with the potential to produce collective benefits, strategies and cooperative structures. Fifteen symphony orchestras took part in this project, which was ‘the largest discipline-specific study of arts consumers ever undertaken in the US’ (Wolf 2005:5–6). Funded by the foundation, it produced significant lessons learned for the organizations and their funders.

From an academic standpoint, the concept of a comprehensive and deeply integrated performing-arts organizational marketing programme is one that has not specifically been explored in depth. Research to evaluate the nature and characteristics of arts industry marketing programmes, structures, organizations and results is needed, not only to establish their current state but also to propose, from a normative perspective, how arts organizations can improve their ability to obtain and fully leverage resources from all of their income-contributing external stakeholders, including private donors, audience attendees and governments.

Academic research might also concentrate on exploration of cross-national commonalities and differences. This is likely to be a difficult undertaking, since underlying economic and social factors and data related to the arts and arts marketing are significantly different in composition and reporting, even across countries which share a common language and similar cultures and arts heritage, such as the UK, the USA, Canada, New Zealand and Australia.

References

- Andreasen, A. R. (1985) ‘Marketing or selling the arts: An orientational dilemma’, *Journal of Arts Management and Law*, 15(1): 9–20.
- and Belk, R. W. (1980) ‘Predictors of attendance at the performing arts’, *Journal of Consumer Research*, 7(2): 112–20.
- Arnold, M. and Tapp, S. (2003) ‘Direct marketing in nonprofit services: Investigating the case of the arts industry’, *Journal of Services Marketing*, 17(2): 141–60.
- Arts Council of England Policy Research and Planning Department (1998) ‘International data on public spending on the arts in eleven countries’, research report no. 13.
- Baumol, W. J. and Bowen, W. G. (1966) *Performing Arts: The Economic Dilemma*, New York: Twentieth Century Fund.

- (1995) 'The case for subsidizing the arts', *Challenge*, 38(5): 50–6.
- Belk, R. W. and Andreasen, A. R. (1980) 'The effects of family life cycle on arts patronage', *Journal of Cultural Economics*, 6(2): 25–36.
- Semenik, R. J. and Andreasen, A. R. (1980) '*De gustibus non est disputandum*: A study of the potential for broadening the appeal of performing arts', *Advances in Consumer Research*, 7: 109–13.
- Bhattacharya, C. B., Rao, H. and Glynn, M. A. (1995) 'Understanding the bond of identification: An investigation of its correlates among art museum members', *Journal of Marketing*, 59(4), 46–58.
- Brooks, A. C. (1999) 'Do public subsidies leverage private philanthropy for the arts? Empirical evidence on symphony orchestras', *Nonprofit and Voluntary Sector Quarterly*, 28(1): 32–45.
- Byrnes, William J. (2003) *Management and the Arts*, Boston, MA: Focal Press.
- Currim, I. S., Weinberg, C. B. and Wittink, D. R. (1981) 'Design of subscription programs for a performing arts series', *Journal of Consumer Research*, 8(1): 67–75.
- Desai, C., Fletcher, K. and Wright, G. (2001) 'Drivers in the adoption and sophistication of database marketing in the services sector', *Service Industries Journal*, 21(4): 17–32.
- Dimaggio, P. J., Useem, M. and Brown, P. (1978) *Audience Studies of the Performing Arts and Museums: A Critical Review*, Washington, DC: National Endowment for the Arts.
- Feist, A., Fisher, R., Gordon, C., Morgan, C. and O'Brien, J. (1998) 'International data on public spending on the arts in eleven countries', Arts Council of England Policy Research and Planning Department, research report no. 13.
- Fitzhugh, L. (1983) 'An analysis of audience studies for the performing arts in America, part I: The audience profile', *Journal of Arts Management and Law*, 13(2): 49–85.
- Ford, J. B. and Mottner, S. (2003) 'Retailing in the nonprofit sector: An exploratory analysis of church-connected retailing ventures', *International Journal of Nonprofit and Voluntary Sector Marketing*, 8 (4): 337–48.
- Frey, B. S. (2003) *Arts and Economics*, Berlin: Springer-Verlag.
- Gainer, B. (1989) 'The business of high culture: Marketing the performing arts in Canada', *The Services Industries Journal*, 9(4): 43–162.
- and Padanyi, P. (2002) 'Applying the marketing concept to cultural organizations: An empirical study of the relationship between market orientation and performance', *International Journal of Nonprofit and Voluntary Sector Marketing*, 7(2): 182–93.
- Garbarino, E. and Johnson, M. S. (1999) 'The different roles of satisfaction, trust and commitment in customer relationships', *Journal of Marketing*, 63(2): 70–83.
- Heaney, J. and Heaney, M. F. (2003) 'Using economic impact analysis for arts management: An empirical application to a music institute in the USA', *International Journal of Nonprofit and Voluntary Sector Marketing*, 8(3): 251–66.
- Hoffman, M. K. and Fritschner, L. M. (1984) 'Art and art audiences: Testing the market', *The Journal of Arts Management and Law*, 14(2): 5–19.
- Kaali-Nagy, C. and Garrison, L. C. (1972) 'Profiles of users and nonusers of the Los Angeles Music Center', *California Management Review*, 15(2): 133–43.
- Kirchner, T. A., Markowski, E. P. and Ford, J. B. (2006) 'Relationships among levels of government support, marketing activities, and financial health of nonprofit performing arts organizations', *International Journal of Nonprofit and Voluntary Sector Marketing*, 12(2): DOI 10.1002/nvsm.285.
- Laczniak, G. R. and Murphy, P. E. (1977) 'Marketing the performing arts', *Atlanta Economic Review*, 27(6): 4–9.
- McCort, J. D. (1994) 'A framework for evaluating the relational extent of a relationship marketing strategy: The case of nonprofit organizations', *Journal of Direct Marketing*, 8 (2): 53–66.
- McDonald, H. and Harrison, P. (2002) 'The marketing and public relations practices of Australian performing arts presenters', *International Journal of Nonprofit and Voluntary Sector Marketing*, 7(2): 105–17.
- NEA (2000) 'International data on government spending on the arts', *National Endowment for the Arts*. Available at: www.nea.gov/research/ResearchNoteschrono.html (accessed 20 August 2007).
- Netzer, D. (1978) *The Subsidized Muse*, Cambridge, UK: Cambridge University Press.

- Nichols, B. (2003) 'The arts in the GDP, consumers spent \$10.6 billion on performing arts events in 2001', *National Endowment For The Arts*, research note no. 83. Available at: www.nea.gov/research/Notes/83.pdf (accessed 29 January 2007).
- Peacock, A. T. (2000) 'Public financing of the arts in England', *Fiscal Studies*, 21(2): 171–205.
- Peterson, R. A. (1986) 'From impresario to arts administrator: Formal accountability in nonprofit cultural organizations', in P. D. DiMaggio (ed.) *Nonprofit Enterprise in the Arts: Studies in Mission and Constraint*, New York: Oxford University Press.
- Radbourne, J. (1998) 'The role of the government in marketing the arts', *Journal of Arts Management, Law and Society*, 28(1): 67–82.
- Rentschler, R. (1998) 'Museum and performing arts marketing: A climate of change', *Journal of Professional Services Marketing*, 28(1): 83.
- and Potter, B. (1996) 'Accountability versus artistic development: The case for nonprofit museums and performing arts organizations', *Accounting, Auditing and Accountability Journal*, 9(5): 100.
- Radbourne, J., Carr, R. and Rickard, J. (2002) 'Relationship marketing, audience retention and performing arts organization viability', *International Journal of Nonprofit and Voluntary Sector Marketing*, 7(2): 118–30.
- Sargeant, A., Ford, J. B. and West, D. C. (2006) 'Perceptual determinants of nonprofit giving behavior', *Journal of Business Research*, 59(2): 155–65.
- Foreman, S. and Liao, M. (2002) 'Operationalizing the marketing concept in the nonprofit sector', *Journal of Nonprofit and Public Sector Marketing*, 10(2): 41–65.
- Scheff, J. (1999) 'Factors influencing subscription and single-ticket purchases at performing arts organizations', *International Journal of Arts Management*, 1(2): 16–27.
- and Kotler, P. (1996) 'Crisis in the arts: The marketing response', *California Management Review*, 39(1): 28–52.
- Schulze, G. G. and Ursprung, H. W. (2000) 'La donna e mobile – or is she? Voter preferences and public support for the performing arts', *Public Choice*, 102(1–2): 131–49.
- Schuster, J. M. D. (1987) 'Making compromises to make comparisons in cross-national arts policy research', *Journal of Cultural Economics*, 11(2): 1–36.
- (1999) 'The other Side of the subsidized muse: Indirect aid revisited', *Journal of Cultural Economics*, 23(1): 51–70.
- Simmel, L. L. and Berger, P. D. (2000) 'The art of the ask: Maximizing verbal compliance in telefundraising', *Journal of Interactive Marketing*, 14(3): 12–40.
- Wolf, T. (2005) *The Search for Shining Eyes*, Miami, FL: John S. and James L. Knight Foundation Publications.