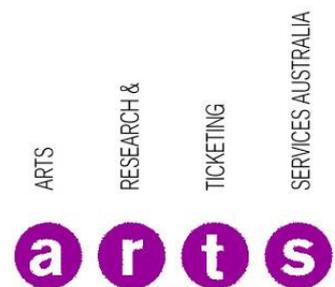




*Research into the New Zealand arts industry's access to,
and use of, customer data for audience development*

Executive Summary

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EXECUTIVE SUMMARY

The statutory purpose of Creative New Zealand is “to encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders.”¹ The principles of Creative New Zealand in fulfilling this purpose include both participation and access. Audience growth is important in upholding these principles and maintaining a professional arts infrastructure.

Unfortunately, currently the majority of performing arts organisations in New Zealand do not deal directly with their customers and must rely upon third party venue operators and box offices or ticket agencies. In an environment of increasing competition, sustainable relationships are essential for Audience Development and growth. The purpose of this project has been to research and develop ways that arts organisations can reclaim the relationship with audiences via access to customer data to inform Audience Development.

Methodology

Interviews were conducted at the end of 2010 with a range of organisations. Fifty one organizations were interviewed to inform this research. Eighteen interviews were conducted in person on visits to Auckland and Wellington in November 2010. Thirty two interviews were conducted by telephone over this period. Representatives of arts organisations, venues, all major ticketing agencies, some industry coordination bodies as well as legal and legislative representatives were interviewed.

The importance of Relationship Marketing

To grow audiences for the arts, let alone just replace attrition, Audience Development is an essential building block. A fundamental strategic tool to this building of a sustainable relationship with audiences both potential, and existing, is Relationship Marketing, the objective of which is to establish and maintain a profitable, long-term relationship with a customer. This approach entails a shift in marketing focus from just increasing the number and value of transactions (transaction marketing) to growing more effective and profitable relationships with multiple stakeholders (relationship marketing).

¹ Arts Council of New Zealand Toi Aotearoa Act 1994

The following table contrasts the two approaches to marketing:²

Transaction marketing	Relationship marketing
Focus on single sale	Focus on customer retention
Orientation on product feature	Orientation on product benefits
Short time-scale	Long time-scale
Little emphasis on customer service	High customer service emphasis
Limited customer commitment	High customer commitment
Moderate customer contact	High customer contact
Quality is primarily a concern of production	Quality is the concern of all

Relationship Marketing is delivered via Customer Relationship Management (CRM). CRM provides enhanced opportunities to use data both to understand customer behaviour and implement relationship marketing strategies better.

The dominant ticket agency model in New Zealand is a residual of the older 'push' model of marketing that is more appropriate for commercial entertainment and sport with their mass media appeal. The 'push' model involving transaction marketing is inefficient in its approach of building a new audience each and every time. To grow audiences for the arts, arts organisations need to depend on a 'pull' approach to marketing that requires Relationship Marketing to build stronger and sustainable longer term relationships with individual audience members.

Research Results

1. Over 90% of the organisations surveyed use venues with Venue Exclusive Ticketing Contracts or requirement to use Venue Box Office.
2. 60% of NZ arts organisations have no idea of recency frequency and monetary value of their audience.
3. Nearly half of organisations interviewed reported frustration with gaining access to their customer data from external ticketing service providers.
4. Nearly 40% of arts organisations surveyed are still just using Excel to manage lists and do not have any database functionality to support real CRM activity.
5. Over 70% of organisations surveyed did not have a documented Privacy Policy, however they are all collecting personal data from a variety of sources.
6. 22% said that venues do not provide assistance with the marketing of their events presented at the venue.

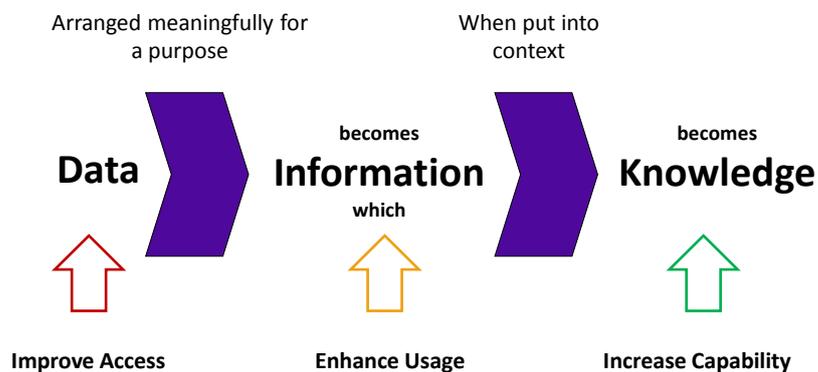
² M. Christopher, A. Payne & D. Ballantyne, *A Transaction vs. a Relationship Marketing Approach*, Butterworth-Heinemann, Oxford, 1993

7. 56% said that some venues do with the common variable being whether the venue had a share in the show or was co-presenting.
8. 71% of venues reported that they do provide marketing assistance although this should be adjusted for involvement in the event presentation and results.
9. However, 74% of organisations reported venues do not provide paid marketing services under contract.

Reclaiming the Audience

As the model below illustrates, customer data is the raw resource to effectively develop audiences. However, data alone is meaningless without analysis and context. Information is data that has been given meaning and building on this knowledge is data/information that has been given useful meaning. Audience knowledge is essential to accurately inform decisions made while developing and implementing effective marketing strategy.

Reclaiming The Audience



ADAPTED FROM: S. Davies & J. Botkin, *The coming of a knowledge based business*, Harvard Business Review, Sept/Oct 1994.



Recommendations

The three forms of intervention recommended as indicated above in the model to enhance the audience knowledge available to New Zealand arts organisations are:

1. Improve Access
2. Enhance Usage
3. Increase Capability

1 Improve Access:

New Zealand performing arts organizations and venues are attempting to manage relationships with a diversity of constituent groups. But they do not have suitable access to their customer data or the information management skills and tools to maximise audience development potential or implement effective CRM.

Personal data relating to these relationships comes from a variety of sources and is also stored in a variety of depositories with varying levels of integration and accessibility.

Nearly half of organisations interviewed reported frustration with gaining access to their customer data from external ticketing service providers. Of the remaining half, a number were gaining access to the data they required in some, or most, of the venues they toured to (or they handled the majority of their own ticketing). It appears that many industry members interviewed had given up fighting for data access and put it in the “too hard basket”.

Two thirds of organisations surveyed stated that they discussed access to customer data with the ticketing provider, but one third stated they did not discuss access to customer data. Discussions with ticketing providers were commonly handled by senior members of the management team (General Manager, Executive Director or Operations management), but in very few instances was the organisation’s marketing team explicitly involved.

The access to customer data and the better management of the various types of constituent information are increasingly important marketing capabilities for arts organisations in New Zealand in relation to sustainable audience development. Access to accurate and comprehensive customer data is an essential building block of relationship marketing and CRM functionality.

It is recommended that the following steps are taken to improve access:

- **Express Consent at Transaction**

There is currently a degree of confusion and inconsistency in the implementation of express consent in the form of opt-in to specific communications in the transaction process. It is recommended that clarity is gained on the necessity for the extra opt-in steps and whether it is possible to adapt the approaches discussed in the form of Agency Contracts and Venue Contracts below.

- **Agency Contracts**

It is recommended that a suitable Promoter Privacy Agreement is developed by Creative New Zealand in cooperation with the Office of the Privacy Commissioner and implemented in consultation with venue box offices through the

Entertainment Venues Association of New Zealand (EVANZ), ticketing software providers and ticketing agencies.

It is recommended that advice regarding the sharing of personal information is incorporated in a Data Access Guide and introduced by Creative New Zealand in cooperation with the Office of the Privacy Commissioner and implemented in consultation with venue box offices through EVANZ, software developers and ticketing agencies.

- **Venue Contracts**

Venue Box Offices act as an Agent when selling tickets for a hirer and similar to the Agency Contracts above. Venue Contracts may include similar provisions as the Agency Contracts to assist with the clarity and transparency of the individual relationships and responsibilities therein. It is recommended that discussions are continued with EVANZ to explore this possibility further and negotiate with EVANZ on behalf of its membership.

2 Enhance Usage

The majority of organisations and venues are depending on one of four main options for constituent information storage: Excel, PatronBase, Email Service Providers or specialised or bespoke database solutions. Nearly 40% of arts organisations surveyed are still just using Excel to manage lists and do not have any database functionality to support real CRM activity

Most ticketing systems by nature define one-to-one relationships with purchasers, whereas CRM is involved in relationships of a diversity of constituents with varying associations who may be representatives of an organisation, members of a family and so on. Each of these associations portray important perspectives to better manage relationships over time.

Just over half of the organisations surveyed are not monitoring recency, frequency or monetary value of their customers which are often seen as the foundation of relationship marketing delivered by a CRM. This is not facilitating audience development and in fact is a major handicap that is resulting in an over-reliance upon push promotion with its limited targeting, flexibility or responsiveness.

Arts organisations suffer from very limited operational audience development skills (whether marketing, database management or analytical). Due to the low levels of specialist skills, there is currently a dependence upon software providers and ticket agencies for analysis to inform audience development and Relationship Marketing (two removed from the source need for assistance).

Of the organisations interviewed 22% said that venues do not provide assistance with the marketing of their events presented at the venue. About 56% said that some venues do with the common variable being whether the venue had a share in

the show or was co-presenting. Arguably, about 71% of venues reported that they do provide marketing assistance although this should be adjusted for involvement in the event presentation and results. Even more indicative of a lack of marketing service provided by venues was the fact 74% of organisations reported venues do not provide paid marketing services under contract.

A designated Privacy Officer is a proactive step to assist organisations to offer more responsible customer service and better manage risk. In addition, it assures box offices and ticket agencies that any data they may release to you will be responsibly managed. Only half of the organisations interviewed as part of this research stated that they had a designated Privacy Officer, however in many cases it was in fact by default.

Over 70% of organisations surveyed did not have a documented Privacy Policy, however they are all collecting personal data from a variety of sources. In consultation with the Office of the Privacy Commissioner, the Head of Policy and Legal has suggested that assistance could be provided to Creative New Zealand to prepare a checklist with a privacy statement as part of a Data Access Guide to be developed as part of this project.

It is recommended that the following steps are taken to enhance usage:

- Information Management Tools

To address the current shortfall in CRM functionality available to, or implemented by, New Zealand performing arts organisations it is recommended that Creative New Zealand research this area further with the following steps:

- Assess the CRM needs of arts organisations in detail
- Develop a functionality specification in response to this
- Review the potential solutions (and models) commercially available
- Develop a listing of recommended solutions and maintain the currency of this research
- Consider intervention options in the form of funding

3 Increased Capability

When interviewees were asked regarding their training needs the following responses were received as prioritised by size and share for relative frequency:



The following issues were the most cited issues of interest for training by respondents:

- Privacy Act and related issues
- Audience Development
- eMarketing
- Database Management and Analysis
- CRM

The Head of Policy and Legal at the Office of the Privacy Commissioner has indicated that the Privacy Commissioner is prepared to provide training in issues of relevance to arts organisations. This could also be offered to venue staff to facilitate the required level of comfort with legislation to encourage access to the level of data required by organisations as hirers.

The research to date has indicated that \$2-300 was seen by 50% of respondents as a reasonable amount to pay for a day's training or workshop.

An important avenue of strategic influence is training for CEOs and other senior staff with targeted sessions conducted by CNZ. Not extending the current CEO Induction Sessions further. Topics that could be addressed are: CEO responsibilities under the Privacy Act (as default Privacy Officer), the importance of audience data access and its negotiation upon contracting with a venue/agency, and the strategic importance of CRM and its organisational implementation.

Both current and new CEOs are a key group to influence to make progress on a variety of the issues identified in this research.

It is recommended that the following steps are taken to increase capability:

- Discussion continues with EVANZ to explore ways to facilitate greater access to customer data to redress the limitations in skills available at venues or provide access to the more advanced audience development and Relationship Marketing skills required.
- Creative New Zealand further explores the expansion of the Audience 360 Project to an Audience Development Agency for the performing arts and provide services to augment CRM activity.
- Creative New Zealand encourage its funded organisations to formally designate a Privacy Officer with the appropriate authority, skills and training. In addition, it is recommended that Creative New Zealand address this requirement as part of the CEO Induction process it currently offers new CEO's.
- An Arts Privacy Officer Network is an effective way of thinly resourced arts organisations cooperatively meeting the requirements of such a role and avoiding reinventing the wheel.
- Creative New Zealand encourage organisations to develop and implement Privacy Policies by liaising with the Office of the Privacy Commissioner and developing compliant templates.

Next Steps

Over the next year, Creative New Zealand will look to implement the recommendations as follows:

1. Develop and deliver Privacy workshops in partnership with the Office of the Privacy Commissioner.
2. Work with EVANZ on industry standards for the collective benefit of organisations, venues and agencies.
3. Assess the CRM needs of organisations in detail and develop a functionality specification in response to this.
4. Provide updates to the sector and at relevant industry gatherings, e.g. EVANZ conference, on Audience Data developments and progress.