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Chapter Author: Robert C. Blattberg, Cynthia J. Broderick

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Robert C. Blattberg and Cynthia J. Broderick

## 11.1 Introduction

Art museums have relied heavily on benefactors for donations of works of arts. With the changing tax laws, these donations have declined precipitously. The number of donated works in 1988 was approximately 37 percent of the 1986 level (Glueck 1989). At the same time that the number of donated works of arts is declining, the cost of acquisition is increasing rapidly. This is exacerbated by (1) a devaluation of the dollar, making it easier for Europeans and Japanese to enter the United States art market and bid up the prices of major works (Cox 1987) and (2) the improved efficiency of the art market (Lee 1988). Based on the declining donations of art works and the increasing cost of acquiring new works, museums will need to rely more heavily on sources of revenues such as membership fees, government subsidies, corporate gifts, and attendance to enhance their collection.

To counteract current trends, museums must reevaluate their marketing strategy. This paper applies marketing concepts to assist museums select the appropriate target audiences and to determine what products to “produce” for these different and diffuse target audiences. The focal points of this article will be the product and the customer. Other elements of marketing, such as pricing and advertising, are of secondary importance relative to determining how to modify the product. Art museums, if they want to increase attendance, must become more creative in how they appeal to new audiences. The difficult problem is how to avoid losing the museum’s current “customer,” whose interests often conflict with those of a more diverse audience, and at the same time appeal to a new, diverse audience.

One example is provided by the Field Museum of Chicago, which has re-focused its museum. The management of the museum stated:

To reach the public . . . , exhibits and programs will need to be

- Adaptable to the changing needs of the public
- Interesting and useful to people with different backgrounds and levels of interest in the subject matter
- Useful as resource centers for the serious student, hobbyist, and collector, who seek a more comprehensive treatment of the subject or theme
- Able to give an overview of subjects and themes to millions of people (Field Museum 1986, 16–17).

To meet these diverse and often conflicting requirements, the Field Museum organized its public space into three different but interrelated formats:

- 1. Informal, interactive exhibits and programs which will be accessible to virtually any visitor;
- 2. Major thematic exhibits, which will provide broad overviews of their subject and highlight the museums' collection; and
- 3. Study halls which will make available in-depth resources on specific subjects, for visitors seeking a more comprehensive picture of the subject matter and collections.

The Field Museum has addressed the critical issue: How can the product change so that the museum expands its reach without alienating current customers?

The remainder of the paper is organized as follows: section 11.2 briefly discusses what should be "optimized" by museums, section 11.3 reviews the prior literature on the marketing of art museums, section 11.4 discusses the major issue of who should be the target audience, section 11.5 addresses the importance of the general public to the museum's financial structure, section 11.6 looks at the competitive environment, sections 11.7, 11.8, and 11.9 discuss the product, section 11.10 discusses how museums should distribute their product, section 11.11 addresses the pricing of the product, section 11.12 considers organizational issues, and section 11.13 gives a brief summary of the paper.

## **11.2 What to "Optimize?"**

One of the most difficult questions facing a marketer when thinking about the marketing of art museums is what to optimize. With for-profit firms, this question is easier since the goal is to maximize long-term profits or shareholders' wealth. What do museums optimize? Many believe that community interests, aesthetic values, and the preservation of the museum should be the goals (Ames 1988; DiMaggio 1985; Hancocks 1987; Skloot 1983). To further complicate the issue, museum curators, boards-of-directors, and benefactors focus on "quality." Their goal is to make the institution a "world class" museum through its collection and curatorial staff. If the museum is financially stable, these additional goals should be pursued.

To focus on marketing issues while trying to maximize multiple objectives

is extremely difficult. The conflicts and trade-offs cannot easily be resolved. In the real world of art museums, directors, curators, and boards must make these decisions. If revenue-generating ideas conflict with critical organizational goals, then the decision maker can choose not to pursue them. For example, servicing low-income audiences is a potential source of revenues through government subsidies, while not servicing these groups will result in lower revenues because government agencies will reduce subsidies such as free rent or free land.

### 11.3 How Has Marketing Been Applied to Art Museums?

There are numerous articles in which marketing academics or practitioners have written about how art museums should apply marketing concepts (Hendon 1979; Mokwa, Dawson, and Prieve 1980; Yorke and Jones 1987). Most of the literature indicates that determining the appropriate customer segments and the marketing mix are of prime importance. The marketing mix contains six major elements:<sup>1</sup>

1. Pricing
2. Products and services to offer
3. Advertising and public relations
4. Sales promotions
5. Sales force
6. Channels of distribution (where the product is sold or viewed)

The following points represent a consensus from the published articles:

- Despite the “elitist” nature of the art museum audience, museums have a social responsibility to broaden their target audience to include less well-educated viewers in order to justify government subsidies. Thus, museums are forced to reconcile opposing desires in determining their mission or objectives (Cramer 1979; Hancocks 1987; Zolberg 1984).
- Pricing within museums is not well understood, and very few studies have been conducted to try to determine the price responsiveness of current or potential members to the public being charged general admission to museums. The studies that have been conducted show that there is a low price elasticity (Cameron and Abbey 1962; O’Hare 1975).
- Product discussion focuses on current visitors and special exhibits with very little attention paid to target markets or likely audiences. Ancillary purchases from the bookstore and the restaurant are also considered but only as a secondary activity (Beer 1987; Bowden 1986; Braverman 1988; Gardner 1986; Hood 1986).

1. McCarthy (1975) defines the marketing mix as the 4P’s (Price, Place, Product, and Promotion). We prefer to separate advertising and the sales force as distinct elements of the marketing mix.

- The primary focus of many of the marketing articles is on advertising and the need to communicate a consistent message (Adams 1986; Fronville 1985; Shapiro 1973; Stone 1988).
- Several museums are exploring alternative channels of distribution such as satellite branches, traveling exhibits, and interactive exhibits within traditional museums (Keens 1986; Bunch 1988).

In summary, museums are aware of standard marketing techniques to market their products and services to their customers.

In spite of most museums' using some form of marketing, there are many problems with the current state of marketing in art museums. First, the curatorial staff, who are the "product designers" and "purchasing agents," do little research to understand what the customer wants. Instead they select or design exhibits which they feel the visitor *should see*. The marketing personnel are then supposed to convince the public that they should see these exhibits. The problem is analogous to an engineering-driven company which produces products the customer does not demand. Achieving a museum's full potential in the marketplace depends on the integrated effort of all departments to produce and deliver the museum's product.

Second, competition has not been well-delineated, and no attempt has been made to focus on how an art museum must "compete" in the marketplace. The full effects of competition have not been visible to art museums because of the special market niche which they fill and the effective entry barrier to would-be new entrants. Thus, art museums have been spared the reality of typical competition. However, the decreasing leisure time of Americans (Louis Harris and Associates 1988) puts pressure on people to economize their time. Museums must enlarge their perspective on competition to include the alternatives from which the potential visitor chooses.

Third, most of the marketing emphasis has been on fund-raising through membership drives and the advertising of exhibits, not on products. Marketing is merely a staff function designed to serve the "product designers." Marketing's responsibility is to "sell" the finished product, not to assist in producing the product.

Finally, marketing has a negative image because it is thought to be trying to "mass market" the museum, which the curatorial staff views negatively. Top management of most museums does not come from a marketing background and has little understanding of the importance of marketing or its likely impact on the museum (Raymond and Greyser 1978; Unterman and Davis 1982). Complicating this misconception is that, as museums become more and more pressed for funds, the costs of a marketing staff are visible and thus vulnerable to cost-cutting measures, while their benefits remain intangible. In most museums, marketing is not formally part of the organization but is often subsumed under development or public relations. Even when there is a marketing director, his or her role often conflicts with the curatorial staff.

## 11.4 Targeting the Customer

Art viewership is a complex interaction between the viewer and the work of art. It requires sophistication, knowledge, and a desire to learn and appreciate the object being viewed. Because art is an “acquired” taste, it has historically appealed to certain segments of the market who have devoted time and effort to appreciating art.<sup>2</sup> Thus, the audience for art museums has been heavily populated by upper-income, educated households. This can be contrasted to science museums and zoos, which attract families and middle-income households more representative of the population. The issue facing art museums is: should they expand their viewership to appeal to new segments not currently attending museums?

There are two distinct types of audiences that art museums can target. The first is the group of potential donors, who often becomes members and are more likely to become heavily involved in museum activities. This group is small, will generate far more revenue and profits to the museum, and appreciates the current types of exhibits the museum offers. It is relatively easier to serve this group than it is to serve the general public. In fact, museums generally focus only on this audience. The second type of audience is the general public, who attend museums to be entertained and to be educated. Few will ever become donors of works of arts nor will they become major financial benefactors. However, they occasionally become members and often spend money at the museum store and restaurant.

### 11.4.1 The Potential Donor

Before discussing the public or mass market as a potential audience, it is important to understand the potential donor. Alfred Sloan, in designing a marketing strategy for General Motors in the early twenties, developed an ingenious strategy in which he created the pyramid of General Motors cars. Sloan recognized that a fraction of the customers at the bottom of a pyramid of General Motors cars (Chevrolet) eventually become customers for the cars near the top of the pyramid (Cadillac and Buick) as their incomes increase. The same concept can be applied to the potential donor. This group begins with a much less sophisticated understanding and appreciation of art, and then through various experiences, decides either to maintain a moderate level of interest or to become involved in collecting, education, and public service to the art community.

Potential donors have similar demographics: they are well-educated, high-income corporate executives and professionals. To market successfully to this group, museums must design programs which offer benefits for being in-

2. There is a school of thought that differs with the concept that art requires “contextual” knowledge to be appreciated. Members of that school would argue that art has a universal aesthetic appeal which transcends knowledge about its time and place in history.

volved with art museums. These can range from enhancing their experiences traveling in other cities and countries, to increasing the social prestige of being a major donor to an art museum, to becoming educated about art.

The problem art museums face with respect to this group is time availability and interest. Time availability means that programs need to be developed which are both involving and meet the key benefits of this group. Interest is important because there are many alternatives available to these people, ranging from other cultural activities to social activities. Art museums must make a special effort to reach this group through the use of "missionary" selling approaches because they represent a large potential payoff.

#### 11.4.2 The General Public

The general public is more difficult for art museums to target. For example, middle- and low-income families are much less likely to attend art museums, and so trying to determine what types of exhibits will appeal to them is difficult. A major concern in appealing to this group is balancing the entertainment and educational value of the exhibit. If the museum were to compromise the aesthetic value of the exhibit, the traditional product would deteriorate, resulting in a potential loss of support from the museum's core audience.

The general public can be split into several groups (1) families with children, (2) senior citizens, and (3) lower-income, disadvantaged families. The first segment is less educated and less sophisticated families who are willing to try to educate their children in the visual arts. The product is important to this group. For these people, the museum must be "involving" and facilitate their understanding of art through a variety of media such as films, video tapes, and special exhibits. One way to reach their children is through the schools. This group will not become long-term patrons, but they will spend money on leisure-time activities for which they perceive value. Museums can capture some percentage of their leisure expenditures with the appropriate product.

The second segment is senior citizens who are interested in leisure-time activities and have both disposable income and time. They may have limited understanding of art, but want to be educated about art and have the time to enjoy viewing art. Currently, museums are not well designed for senior citizens because they require too much walking and have very few amenities (such as bathrooms, benches, food and beverage shops) which facilitate visits (Hood 1983). Capturing this market will depend on increasing the physical convenience and not as much on time or location. Thus the ease of transport takes on unprecedented importance. This group will not likely be long-term benefactors or patrons but is a growing segment of the population who will spend disposable income on leisure-time activities.

The third segment is an audience that art museums have already recognized, economically disadvantaged children and lower-income, inner city families. They have limited potential to spend money, but they represent an

important audience for justifying government subsidies. Art museums offer very few exhibits to appeal to this segment, though schools often offer special visits to museums for their students. Schools provide a good means to reach this group, since the group might be the least receptive to the typical museum environment. Offering events at the schools could also be considered part of the museum's social responsibility to reach out to the community. In the discussion of the museum's product, special ways to reach this audience will be discussed.

In summary, museums currently target one segment actively (patrons and benefactors) but need to consider expanding its reach. Most museums do not have aggressive programs trying to build future patrons and benefactors, however, because of the low initial revenue potential, the high cost, and the problems with mobility (they leave the market). Attempts to reach middle-income families are almost nonexistent; such families are not viewed as part of the museums' target audience, yet they spend significant amounts of money on leisure activities. Some programs exist for senior citizens, but museums are not well designed for this group.

### **11.5 How Important is the General Public as an Audience for Art Museums?**

The last section indicated that the museum has multiple audiences it can serve. It identified the general public as one potential audience (as distinct from upper-income, college-educated potential patrons). Museums do not automatically reject this audience, but they do very little to placate them. The exhibits and general structure of the museum do little to attract this audience. There are many reasons for this, including (1) the fear of alienating the existing museum audience, (2) the public's general lack of understanding of art, (3) the cost of serving this group, and (4) their limited donations and the lower probability of their becoming members. As has been stated earlier there is also a fear that if this audience is served, it will alienate the existing museum donors because the types of exhibits required do not necessarily meet the museum's quality standards. Further, the "exclusivity" of the museum would be in jeopardy.

How important is this audience to the museum? The easiest way to answer this question is to look at revenues generated implicitly by this group. From the 1988 statistical survey of the Association of Art Museum Directors, statistics have been compiled on the subsidies this group implicitly represents to museums. The local, state, and federal subsidies equal about 22 percent of the total operating revenue of the museum.<sup>3</sup> Excluding federal subsidies reduces this number to 8 percent. Further, corporate grants to museums can also fall

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3. Twenty-two percent represents a median value which reduces any skewness caused, for example, by purely public museums with very high federal subsidies.



under this category. They add another 5 percent to the total subsidies and grants given because the museum serves the general public. If one contrasts this to membership and attendance revenue, one sees that the latter category represents only 10 percent of the total operating revenue. The remainder of operating revenue is made up of large donations and revenue from the museum's endowment and bookstores, restaurants, and other museum shops.

If one analyzes the costs associated with revenues, government subsidies are very profitable—excluding the need to provide exhibits directed to the general public. In contrast, bookstores, shops, and restaurants barely break even. Membership fees also have a high cost associated with them because of low renewal rates. While government subsidies average 22 percent of operating revenue, most museums could not operate without these subsidies.

Given these facts, it is essential for museums to learn how to serve the general public. To deal with the conflict, museums might consider developing “two museums”, one to serve the general public and one to serve the more sophisticated donors and members. The two groups have different interests and needs, and therefore, it is necessary to offer different products. An alternative would be for museums to reduce their dependence on these subsidies. This would mean that the museum would become a boutique, producing only exhibits targeted to a small but elite audience. Could a museum survive with this strategy? It is very difficult to answer this question. It depends upon whether the members, donors of works of art, and financial donors would contribute to this type of museum. Little or no research is available to answer this question. The museum board and its president, however, must address this issue if they are unwilling to serve the general public.

## **11.6 The Competitive Environment**

Art museums compete with many different types of organizations for audiences, members, and benefactors (Stone 1988). These competitors can be grouped into several categories: (1) cultural institutions, (2) science museums, natural history museums, and zoos, (3) amusement parks, sporting events, and other leisure-time activities, (4) charities, and (5) educational institutions. Each of these offers different benefits to the donors, members, and attenders.

In looking at competitors, art museums must begin to assess the product each segment wants and then how effectively they can compete with these other types of organizations. Following are the types of benefits being offered by each organization:

- Charities offer social prestige and a sense of “contribution to human kind.”
- Cultural institutions offer benefits similar to art museums but for different types of activities:
  - The symphony, opera, and theater offer regular performances.

-The choice for the “medium” not social or humanistic considerations, appears to be the major differentiating factor.

- Science museums, natural history museums, and zoos offer higher entertainment value for children than do art museums or the performing arts.
- Amusement parks and sporting events offer high entertainment value but lower educational or cultural benefits to the attendee.
- Educational institutions can offer equivalent social prestige and humanistic goals, and they also offer the added benefit of contributing to the preservation of one’s own educational institution.

The major audience for whom it is most difficult for art museums to compete is the general public, not the donor group. The public represents a large potential audience as evidenced by the larger attendance at science museums and zoos; art museums do not perceive these organizations to be competitive, yet they attract large audiences who represent revenue potential to art museums.

Competition for the potential donor segment is entirely different. The competitors offer the same type of benefits that art museums do, and therefore art museums must focus on how they can offer a differentiated product. Art museums must determine what they can offer the potential donor group that other cultural organizations cannot. These include special trips, special showings of exhibits, art education, and video and audio tapes for home viewing. Further, art museums can assist young collectors in understanding how collections are built, can teach them how to begin or expand a collection, and can offer special lectures by experts in art and collecting.

Currently, art museums are not organized to provide these benefits, though the development department is responsible for these activities. The question is: Does the development department simply ask this segment for money, or do they also try to provide benefits to the potential donor group? Commercial organizations frequently have market or segment managers who learn about the needs of their segment. Art museums rarely have someone responsible for analyzing and understanding a specific market segment.

## **11.7 Managing the Product Line**

Museums face many problems which are similar to those of a fashion retailer: What is the breadth of the product line? How should the “buying process” be managed? How can a retailer or museum serve distinct and conflicting market segments?

### **11.7.1 Breadth of the Product Line**

One of the critical issues retailers face is determining what “quality” or “fashion levels” to offer its customer. If the retailer offers too wide a product line, the consumer becomes confused about its positioning. Consider a retailer like Neiman Marcus. If they begin offering low-priced merchandise, will their

regular customers continue to buy at Neiman Marcus? Probably not. Therefore, they must determine how far down the quality spectrum they can go without tarnishing their image.

This is also one of the critical issues facing art museums. If they make their product too entertainment-oriented to appeal to a mass audience, what happens to their current customer base? Therefore, trying to be all things to all people is unlikely to succeed. However, the other problem is too narrow a product line. Boutique retailers can cater to a high fashion, couture customer but their volume is very small. To reach larger audiences, it is necessary to have a broader quality range than a boutique offers. Museums currently are closer to boutiques, in that they want one quality designation. However, this limits their primary audience to benefactors and members. The result is lower attendance because of the limited target market.

For museums thinking about broadening the product line, quality is not necessarily the key problem. Rather it is breadth of appeal. Twentieth-century Japanese pottery may be of high quality but of very limited appeal. Thus, the museum curators (buyers) can try to identify exhibits that have broader appeal without greatly diminishing the image of the museum. Unfortunately, curators (like buyers) would rather run exclusive boutiques than focus on how to expand audiences through shows which have high quality and yet appeal to larger audiences. (An example of a successful show was the Vatican exhibit shown in several cities, which reached new audiences and yet did not lower quality.)

### 11.7.2 Profit Centers

Most corporations separate their businesses into profit centers. The purpose of profit centers is to relate revenue to costs and determine which divisions or product lines are profitable. It also creates an internal mechanism for allocating resources.

If art museum management separates the museum into two distinct entities, it then becomes advantageous to create profit centers to determine which part of the museum is being subsidized. The fear of using profit centers is that the more popular, "lower quality" public museum will be profitable but the more sophisticated, less attended "donor" museum will be unprofitable. Corporations have unprofitable product lines because they have synergy with other product lines. For art museums to maintain their long-run viability, it will be necessary to analyze individual divisions or entities to ensure they are contributing to the financial and aesthetic goals of the museum.

### 11.7.3 How Should the Buying Process Work?

Retailers have buyers who are responsible for identifying items to sell. Similarly, curators create shows or select shows to exhibit. Each buyer selects the season's merchandise from a wide variety of suppliers. Curators do not have a similar wholesale market. However, there is no reason why a wholesale mar-

ket could not exist for art exhibits. The difficult issue is compensating the creators of the shows for their efforts. It could be accomplished through viewership fees and revenue sharing.

If there were a for-profit market created for exhibits, then the developers of the exhibits as well as the curators would be focusing on viewership and target audiences as well as potential revenue opportunities. Just as in fashion, it would not pay the curator to deviate from the accepted image of the museum. However, there would be greater emphasis on viewership, target audiences, and the ability to share costs across museums.

Curators would need to be both experts in a specific period of art and also highly knowledgeable about the customer. Currently, curators only need to be experts in art. Thus, there is very little focus on the general needs of the customer. Only if profit becomes increasingly important to museums will the buying process change.

#### 11.7.4 How Can Museums Serve Two Distinct Audiences?

As has been stated throughout this paper, the primary problem is serving two highly distinct audiences. How do retailers and other organizations solve this problem? The answer is to create separate entities each with a distinct focus on a specific market segment. For example, Dayton-Hudson has Dayton's in Minneapolis, which is a premium quality department store, and Target, which is a mass merchandiser. By having separate organizations focusing on different target market segments and offering distinct fashion designation, they are able to serve these two segments. Other organizations do the same thing. Holiday Corporation has Crown Plazas which serve the high end of the hotel market and Hampton Inns which serve the lower-to-middle segment. They are located in separate cities and have different missions.

Can museums divide their audiences and serve them separately? The answer is yes. The Field Museum in Chicago has divided itself into a public museum whose charter is to serve the mass market and a museum with a research staff who are responsible for students and researchers of natural history. By dividing responsibilities, they allow each organization to focus on its specific mission. An art museum can also divide itself into two separate functions: (1) the mass marketing museum which is designed to appeal to the public at large, and (2) the boutique museum which is aimed at the donor and potential donor. By separating roles, the museum can serve both audiences.

Does marketing to two separate audiences pose problems to the current organization? Clearly, the part of the organization that will need to change is the curatorial staff. They will need to be restructured into two separate organizations. A public exhibit staff will need to be developed to focus on involving, high quality exhibits that educate as well as entertain the visitor. Special exhibition space will need to be devoted to these types of exhibits, and a wing or special building devoted to the public museum.

The cost of the public museum can be covered from the public funds as well

as corporate gifts. The donors can fund the “high-fashion” museum. Special blockbuster exhibits can appeal to both groups and the revenue can be allocated accordingly. Since government funding as well as corporate donations can be used for the public museum, it will be easier for these organizations to justify their subsidies or grants.

In summary, it is possible for museums to approach their multiple audiences just as a retailer who serves segmented markets does. They can offer separate product lines to these segments. The result will be the broadening of the appeal of art museums without diminishing the quality of the product or alienating its existing audience.

### **11.8 The Product—A Major Dilemma**

It is our contention that the product is the motivating factor that determines whether someone visits the museum. For example, to compete for the broad audience of middle-income families with children, it is necessary to develop alternative exhibits which are less sophisticated and which have an amusement component with subtle educational elements. Junior children’s museums provide this type of product—but only for very young children.

Science museums effectively attract a large visitorship. Their exhibits are more interactive and more involving than art museums. People receive audio and sensory stimulation as well as visual. There is always a great deal of activity to attract the visitor’s attention. Children, in particular, enjoy attending these museums.

The dilemma art museums face is threefold:

1. Redesigning the product to cater to this audience, which might offend its existing customer base. This potential problem requires coordination to protect the existing customer base;
2. Selecting the types of exhibits that will appeal to this audience; and
3. Generating enough revenue and attendance to justify product modification to meet their needs.

Comparing the audience demographics of science museums with art museums shows that science museums capture a large percentage of the middle-income family audience. Science museums have approximately three times the attendance of art museums. In Chicago, if the Art Institute could capture 10 percent of the audience of the Museum of Science and Industry, its attendance would increase 25 percent, and it would generate \$2,000,000 in revenue from admission plus \$6 per person in shop and food revenue which is an additional \$2,400,000 in revenue, or approximately 10 percent of operating costs.

Modern technology, particularly computer and video technology, can be used to enhance exhibits by allowing visitors to explore their visual experience in greater detail. In an article entitled “Recipe for an Interactive Art Gallery,” David Phillips cites several examples of interactive exhibits (1988). On

a grand scale, the Tate Gallery accompanied a Paint and Painting exhibition with two tents full of art materials and equipment used by some 700 to 1000 adults daily. The Manchester City Art Gallery had a similar but more modest event associated with a watercolor show. Leicestershire Museums provided another type of exhibit in 1986 when they devised a pair of boxes full of objects similar to those found in particular paintings on exhibit. The boxes were wired to permit experimentation with lighting effects. In addition, the Colour Museum in Bradford lets visitors change appearances by switching on and off different kinds of artificial light. Yet another example is the use of kaleidoscopes to permit the manipulation of patterns. The creation of patterns can be shown with such simple equipment as a bowl of water and used motor oil or a continuous sheet of soap, water, and glycerine. Certainly alternatives abound, but what is noteworthy is the small cost and the spectacular response from museum visitors both from an entertainment and educational perspective. These exhibits demonstrate that artistic principles such as perspective, color, and light can be communicated successfully in a museum setting. Involvement is important, and few art museums have exhibits which allow the viewer to interact.

Another deterring characteristic of art museums is that they are foreboding and difficult for the neophyte viewer to peruse (Hood 1983). The general public is often unfamiliar and thus not comfortable with art museums. People are unsure about what they are supposed to do and how often they are supposed to attend. They need to be educated as to what to expect from museums. First-time visitors would also benefit from a suggested path through the museum. Places to sit or stop and have a drink make the experience much easier, particularly for families or senior citizens. Simple changes like better signs, maps, and information would make it easier to learn where the exhibits are and other information about the exhibits.

In summary, for museums to attract larger nonblockbuster audiences, it becomes important to address the issue of involving exhibits. Computer and video technology offers art museums an opportunity to make this possible.

### **11.9 Blockbusters: Museums' Promotional Tool**

Most museums live and die on the basis of special exhibits which generate large viewership, called blockbusters, and would prefer some relief from the pressure of having to generate such exhibits frequently. The reason is that blockbusters have an adverse effect on staffing, organizational requirements, and normal attendance. Unfortunately, blockbusters represent a high percentage of museum traffic, and therefore it is almost impossible to eliminate them.

Blockbusters are analogous to sales offered by retailers. Retailers use sales to attract new customers. Once the customer is in the store, it is hoped that he or she will purchase additional items. Thus, sales generate traffic. Other departments in the store can then make additional profits. Most museums under-

stand this strategy. They sell related merchandise (books, posters, and reproductions) to visitors of major exhibits. Membership also increases because becoming a member is a way to guarantee one's admission to very successful exhibits.

Most retailers would like to reduce their dependence on sales. Unfortunately, the customer has consistently voted (through his or her purchase patterns) in favor of sales. Similarly, it would be extremely difficult for art museums to eliminate blockbusters.

One goal of retailers' sales is to attract new types of customers. Very few exhibits are designed to attract new types of audiences. Notable exceptions were the Vatican and King Tut exhibits. (Robbins and Robbins 1979). These exhibits brought an audience with different demographics from the audience that attends the standard exhibits run by museums. The curatorial staff, however, rarely is interested in this type of exhibit. Very little time is devoted to creating exhibits that would expand the audience because these exhibits are not thought to be of the quality of more sophisticated exhibits such as Picasso or Renoir.

Typically, blockbuster exhibits are intended to

1. Attract new types of visitors to the museum;
2. Increase the museum's revenues;
3. Provide benefits (e.g. special showings) for members of the museum; and
4. Increase membership.

While museums, like retailers, would like to eliminate the blockbuster, it is improbable this will occur. Museums can redirect their thinking to address how blockbusters can be used to meet financial and viewership goals.

### **11.10 Where Should Museums Distribute Their Product?**

Traditionally, museums use their primary location (the museum) for visitors' access to exhibits or their collection. However, there is a trend to create alternative sites where the visitors can view exhibits. This is similar to retailers' offering different locations to make it easier for customers to shop at their stores. In assessing this strategy, many of the same issues retailers consider in site selection are relevant to art museums.

The first and most important question is: Can a new location make a profit? For an art museum this means analyzing attendance, revenue potential, costs, and ancillary benefits such as increasing the attendance at the main museum because individuals become aware of the exhibits through branch locations. Often it may be possible to arrange for another organization to house the museum branch and cover most of the costs because they receive benefits from having the museum branch in their area. In selecting locations for museums the issues are (1) the number of people visiting the location, (2) the demo-

graphics of the area, (3) the cost of the space, (4) logistics, and (5) cannibalization of visitors to existing locations.

In New York City several museums have used remote sites to reach new audiences and to increase attendance. The Metropolitan has a branch at The Cloisters in Fort Tryon Park in Manhattan. The Whitney has several locations in New York (The Federal Reserve Plaza and the Equitable Tower) and one in Stamford, Connecticut.

To reach different market segments and to broaden its audience, art museums will require creativity in where and how they use remote outlets. Banks can serve as a model. Their outlets range from the main bank (often in the central business district) to ATMs (Automated Teller Machines). They recognize the need to offer numerous locations to make it convenient for their customers to use the bank. For example, art museums could develop special electronic kiosks in malls in which there are video presentations of special exhibits. The Louvre in Paris uses a subway station to display some of its art and to interest visitors. These remote shows could serve to interest as well as inform the public of new and exciting exhibits at the museum. Art museums, just like other retailers, can become creative in their use of different types of outlets to reach their customer. There is no reason that museums are limited to their current exhibition space.

## 11.11 Pricing

To most art museums, pricing is a mystery. There are many difficult and complex questions that need to be answered. In analyzing pricing it is easiest if it is separated into two types (1) general admission fees and (2) membership fees.

### 11.11.1 Admission Fees

Most museums grapple with the question of the correct admission fee to charge. There are many issues related to admission fees that the art museum management and boards must consider. The first issue is whether to charge an admission fee at all. This depends upon the funding of the art museum. Some, because it violates a municipal or county charter, do not charge an admission fee. To overcome this problem, many museums use a recommended donation or contribution which is similar to an admission fee. However, it is voluntary and therefore does not violate the museum's charter.

If admission fees are allowed in the charter of the museum or do not require governmental approval (or do not substitute for governmental subsidies), most museums charge some form of admission fee. The question then arises: How much? This is a standard microeconomic question which is extremely difficult to answer.

In theory, one simply looks at the demand curve and then determines the



optimal price based on the formula marginal revenue equals marginal cost. The problem, as is obvious, is that estimating the demand curve is almost impossible for museums. Time-series data on attendance and admission prices is almost nonexistent. Even if data were available, there is very little variation in price over long periods of time making it difficult (or impossible) to estimate price elasticities. This is also a common problem in the for-profit sector, where very few firms know the shape of their demand curve.

Nagle (1987) tries to assist managers by offering some simple rules to show when the demand curve is more sensitive to price increases and when it is less sensitive.

1. *When there are close substitutes, the market is more price sensitive.* For art museums, the degree to which there are close substitutes depends upon the market segment being analyzed. For individuals committed to art viewership as a leisure-time activity, there are few substitutes. Collectors fit into this segment. However, "middle America" is more price sensitive because there are many available substitutes. These range from other types of museums (some of which are free), to the zoo, to other leisure time activities. For other target groups such as young professionals, the number of available substitutes is large but the price of admission to an art museum is relatively low (usually lower than a movie). This group is not likely to perceive pricing as a barrier. Thus, the only major group that will be price sensitive is the group museums target least, middle America. Therefore, admission fees could be close to those of other art museums or similar cultural events.
2. *When the expenditure is a significant percentage of total income, the customer is more price sensitive.* For this reason, durable goods are price sensitive. For most visitors, the price of admission is a relatively low expenditure. However, for larger families, senior citizens, or students, this may be a more important consideration. It makes sense to offer special discounts to senior citizens and students, as most museums do.
3. *The higher the admission fee is as a proportion of the total expenditure, the more price sensitive is the customer.* For tourists who have spent hundreds of dollars traveling to a city, the expenditure on a museum may be a small percentage of their total vacation expenditure. Thus, museums in tourist areas such as New York, San Francisco, Los Angeles, and Washington, D.C. may be able to charge higher prices than museums in cities which are not major tourist destinations. The ratio of tourists to local patrons should influence price sensitivity. The higher the local patronage, the more price sensitive will be the average museum visitor. Museums reduce the conflict concerning an entry fee since the local community has the alternative of low-price membership.

In summary, it is difficult to determine how price sensitive the visitors will be using historical sales and price records. However, because of the lack of avail-

able data, some rules of thumb have been given which should help in thinking about price sensitivity.

There are other pricing strategies that can be used by museums. First, it is possible to use some form of quantity discounting. Possibilities include offering a discount on the next visit, offering a package of  $X$  tickets for the price of  $Y$ , or giving the frequent visitor an annual pass. Another commonly used pricing technique is bundling. Ski resorts offer a combination of hotel, air fare and lift tickets at a rate far below the combination of the three purchased individually. Art museums can use this form of pricing to create museum weekends in which several events (related to the visual arts) can be bundled with hotel and air fares. For example, the Art Institute of Chicago could find available hotel space, arrange with an airline to discount air tickets, and offer special evening events at the Art Institute which could actually be priced at \$50 to \$100. The package would appeal to certain segments, and through special discounts would be advantageous to the museum visitor. Thus, there are many creative ways to price museum attendance.

#### 11.11.2 Membership

Membership pricing is easier to evaluate because direct mail is used to solicit new members and to renew current members. The Museum of Science and Industry in Chicago set up a direct mail test to determine how price sensitive potential new members were. They sent 10 percent of the people they were soliciting a higher membership fee, and they sent the remainder the regular (or control) price. Through this form of testing, they were able to determine that charging the potential new member a higher membership fee did not decrease the response rate enough to reduce total revenue. Thus, they were able to increase their membership fees.

The same strategy applies to the renewal of existing members. Some percentage of the membership file can be mailed a higher price and compared to those receiving the regular membership price. If this is successful, then at the next period the membership price can be increased.

#### 11.11.3 Relationship between Membership and Admission Fees

Because members often receive lower (or free) admission to the museum, frequent users will become members to reduce their admission fees. Thus, membership is a form of bundled admission fees and heavy users become members in order to purchase the fixed-price package.

Based on several interviews, it appears that museums that have admission fees have more members. Because of the small sample and the difficulty in equating museum types, this finding should serve only as an hypothesis. If this result holds after more detailed statistical analyses, however, it would imply that admission fees are an important factor in creating larger membership.

#### 11.11.4    Should Museums Try to Generate Traffic Using Promotions?

Most retailers use promotions to generate traffic. These range from events (e.g., back-to-school sales) to price discounts (e.g., rebates offered by automobile dealers). Museums use special exhibits, which are similar to promotions. However, there are very few other types of promotions. Thus, when there is no special exhibit, attendance suffers. Museums live from special exhibit to special exhibit.

Promotions can be thought of as special inducements to generate traffic. Grocery retailers run weekly specials which are designed to give the customer a reason to shop each week. Other retailers offer special prices only available when the customer is in the store. Can museums generate promotions which give individuals incentives to visit the museum more frequently and to feel that if they attend something special will occur? The answer is yes, but it requires creativity. Contests could be offered which appeal to specific segments of the market. For example, naming all the Impressionist works of art at the Art Institute of Chicago could lead to a prize such as a free poster of an Impressionist painting. The problem has been that art museums have not been creative in offering promotions, nor does art museum management perceive promotions as acceptable. However, promotions can be tasteful and create excitement for those attending the museum.

### **11.12    The Marketing Organization**

The changes considered in this paper would require museums to think about how their marketing and curatorial organization will need to change. First, curators must have a similar role to that of a buyer in a retail establishment. This means that the curator must not only manage a collection but must begin to understand the audience. This audience must be consistent with the overall objectives of the museum.

Second, the purpose of marketing is to understand the customer and then be an integral part of the organization in using this understanding to design exhibits and programs. It would make sense for the museum to create market managers who are responsible for understanding certain segments. Thus, there is a market manager for the general public, a manager for potential donors, a manager for collectors and major donors, and a manager for members. Some of these roles can be combined, so that staffing costs will not be too high. It is important for the museum to structure itself around customer needs, not the product as is currently being done. It makes no sense to have a manager for eighteenth-century European art because the customers do not organize themselves along these lines. This archaic organizational structure is related to internal expertise, not external needs.

Third, if the museum is going to separate its functions between the public museum and the donor museum, then it will be necessary to divide the staff

so that they clearly understand their mission and goals. Curators can serve as consultants to the public museum in assisting the marketing and exhibition staff in understanding what to exhibit. However, a staff dedicated to the public museum is needed, otherwise it will simply become an extension of the current museum and will not devote its activity to serving the general public.

### 11.13 Summary

This article has focused on the key dilemma art museums face: having two separate and distinct audiences. It has used analogies from retailing and other types of business to discuss how these audiences can be served. The possibilities discussed include

1. Separating the museum into two distinct parts so that each suborganization can serve the needs of its constituency effectively;
2. Creating market managers who are responsible for understanding the needs of these two distinct segments;
3. Redesigning the product so that the general public is given a product that meets their needs (more involving and more entertaining) while at the same time serving the other audience which likes and appreciates more sophisticated art exhibits;
4. Requiring the curatorial staff to think more the way retail buyers do, who not only worry about the quality of the merchandise but also about the appeal of the product to each segment; and
5. Creating profit centers to analyze and manage the two distinct museums just as companies manage different products

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