Spektrix Insights Report 2019

SPEKTRIX

FOREWORD

At Spektrix, we believe that opportunities for people to experience arts and cultural events are fundamental to a high quality of life and the health of our communities. It is our mission to enable the vital organizations presenting these events to engage and deepen relationships with the broadest range of audiences.

With this mission in mind, I am pleased to introduce the first edition of the Spektrix Insights Report. Building on our benchmark reports released in 2015 and 2017, the Insights Report delivers new and deeper analysis on effectively engaging and deepening relationships with audiences. It features new data including online device usage and accessible online booking, and a number of concrete examples of organizations demonstrating best practice in audience engagement and revenue generation. We also hope you will gain useful perspective and insights from valued industry partners, and from our own expert consultants.

Nearly 12 years ago I co-founded Spektrix on the idea that cloud-based software paired with expert consultative support could bring significant advantages for arts organizations looking for effective ticketing, marketing and fundraising technology. Today we work with 400 clients across the United Kingdom, the Republic of Ireland, Canada and the United States using the same system concepts, and thereby generating a powerful amount of aggregate data and inspirational best practice.

From the foundation of our data and the success stories that came out of it, we want to share insight, expertise and best practice with the entire sector. I hope you are inspired by what you find.

MICHAEL NABARRO
CO-FOUNDER AND CEO

Executive Summary

The Spektrix Insights Report is a look into the consumer transaction data of up to 343 arts organizations that use the Spektrix ticketing, marketing, and fundraising CRM system. Focused on metrics for audience engagement, revenue management and customer and donor experience, it includes a quantitative analysis of more than 25 million items purchased across the Spektrix system in 2018. This analysis is placed within the wider context drawn from our economic landscape, the arts sector and other related industries such as retail. It includes a range of examples from the organizations that sit in the top 10% of our key metrics.

OUR FINDINGS

Against a challenging economic backdrop for arts organizations[1], there are positive signs of resilience and investment in future-looking strategies. Yet there is a great deal to learn from one another as we see considerable variance between organizations.

LOYALTY IS A REAL GROWTH AREA

- Encouraging loyal audiences remains an area with sizeable uplift potential:
  - On average, 56% of transactions recorded by an organization in 2018 were made by patrons who were new to that organization.
  - Proportions of returning buyers and frequent bookers are largely unchanged since last reported in 2017.

MAKE IT PERSONAL

- Customization yields results:
  - On average, targeted segmentation roughly doubles email marketing engagement.
  - Microtargeting based on recent patron behavior has shown to increase engagement by 20 times in some cases.

MOBILE IS THE FUTURE

- New insight into patron and donor behavior finds the move to online, and specifically mobile, is dramatic:
  - 60% of transactions are made online.
  - 46% of visits to our Spektrix online purchase path are on mobile phones.
- Even as online transactions become more prevalent, in-person contact remains an important channel for higher-value transactions. On average, these are 40% larger than online transactions, likely due to in-person cultivation of major gifts and group sales – but the pattern is also evident in everyday transactions.
  - Donations with ticket sales are more than six times more likely when a transaction occurs online. However, they are worth almost double in value when made in person or on the phone.
  - Online upselling of supplementary items occurs 1.7 times more often than in person and over the phone. However, in-person upselling represents 35% more in value.

UNMET DEMAND FROM AUDIENCES

- There appears to be considerable unmet demand for wheelchair-accessible seats available for online booking:
  - Only 15% of United Kingdom and Republic of Ireland organizations had one or more online bookings which included a wheelchair hold last year.
  - On average, in the United Kingdom and Republic of Ireland, 4% of bookings including wheelchair access needs occurred online – nearly five times lower than in the United States and Canada where equal access to online booking is mandated by law.

UNTAPPED OPPORTUNITIES

- Yield management metrics indicate some organizations are leaving vital revenue on the table. Those that implement a strategy to maximize revenue on high-demand events, and tend to have an upward trend in their prices as the show approaches, can make an extra 10% or more on their original base price.

CONSIDERATIONS

These findings paint a complex picture of patron behavior and expectations, but also show some useful common factors for successfully connecting with audiences and building effective revenue.

- **Patrons expect a customized approach.** Whether it is what they are booking, the channel they are using, the emails they click on, or what they choose to support with donations, a one-size fits all approach is often less than half as effective as a custom approach.

- **Customer and donor context matters.** A focus on customizing offers, donation asks and communications based on audience members' interests is effective; approaches that also take into consideration people's immediate context are even more so. Cues like device usage, recent website visits, in-person visits and basket abandonment can help organizations design relevant and effective engagement triggers.

- **Investing in technological tools is important, but only part of the picture.** Thanks to the continued move to online transactions, applying effective audience engagement and revenue-generating tools online (and in particular on mobile) is more important than ever. However, investing in the customer- and donor-facing team's ability to connect with audiences in person and on the phone yields major gains in revenue and engagement that technology is hard pressed to match.

APPENDIX

1 U.K. - Consumer confidence reached a five-year low in early 2019 and retail sales have again decreased year over year. In the U.S. the middle class has seen stagnating real wages (after inflation) for many years, and lower-income families have seen their real wages drop.

In the following pages of the report you will explore data and success stories that we hope will inspire you at your organization.

INTRODUCTION TO THE DATA

This report includes aggregate data primarily from January 1-December 31, 2018, gathered across up to 343 performing arts organizations from the United States, Canada, the United Kingdom and the Republic of Ireland. This large aggregate data set comes directly from our Spektrix client databases, and gives a unique quantitative view of key performance metrics from across regions and disciplines.

For each of the metrics included, we have defined a way to measure consistently across the whole data set, and then looked at average percentages rather than raw figures to make the data points comparable across differing sizes and types of organizations. Where appropriate, we have also drawn comparisons between different organization types (these are defined in the "About this Report" section on page 60) and global regions, where this may have a direct impact on the success metrics.

HOW TO READ THIS REPORT

This report has been structured into five sections to guide you through the data and analysis. In each, you will find an introduction to the metrics and why they're important measurements, including the **Key Findings** from our analysis. We then share some **Success Stories** from organizations that are operating in the highest 10% for that metric, showing how their average compares to the full average of the data set. We share some **Considerations** for assessing your own organization's performance against the averages for the data set. In each section, we include **Industry Insight** from a professional consultant who specializes in that area. If you would like to **Benchmark** your organization's performance more fully, we also provide more in-depth data at the end of each section.

Effective Emails

In a crowded marketing landscape, connecting with patrons can be difficult and expensive. For this reason, email marketing - with an ROI that is reportedly four times more effective than any other channel[1] - remains the cornerstone of the marketing mix. In order to better understand how emails are performing, we explore key metrics on:

- **Open and click-through rates on segmented and non-segmented emails**

KEY FINDINGS

91% of organizations in the data set segment at least some emails[2].

Open rates on segmented emails **outperform unsegmented emails by 56%.**

Click rates on segmented emails **outperform unsegmented emails by more than 100%.**

The highest 10% of organizations have average segmented open rates of **63%** and click-throughs of **16%.**

CUSTOMIZATION IS VITAL

In general, emails in our data set are doing well, substantially outperforming the average open rate and nearly doubling the click-through rate in an all-industry benchmark recently published by the Direct Marketing Association[3]. Unsurprisingly, segmented emails perform almost twice as well again.

Many models for patron and donor segmentation exist, but perhaps the most common are geographic, demographic, behavioral and attitudinal/psychographic, both singularly and in combination[4]. While there can be value in complex models, simple can still be effective. The aggregate data and stories from the highest performing organizations in our data set prove this. They've improved ROI by employing relatively straightforward behavioral segmentation models based on historical patron and donor data.

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% AVERAGE OPEN RATE

% AVERAGE CLICK RATE

- ALL EMAILS
- SEGMENTED
- DMA BENCHMARK

ONE SIZE DOES NOT FIT ALL

TWO ORGANIZATIONS THAT PERFORM IN THE HIGHEST 10% OF THE DATA SET FOR OPEN AND CLICK-THROUGH RATES SHARE A SIMILAR APPROACH TO BEHAVIORAL AND CONTEXTUAL SEGMENTATION. HERE ARE SOME HIGHLIGHTS:

LUMINATO
TORONTO, ONTARIO, CANADA

Luminato is Toronto's international arts festival dedicated to performance, visual art, music, theater, dance and programming that cuts across traditional art forms.
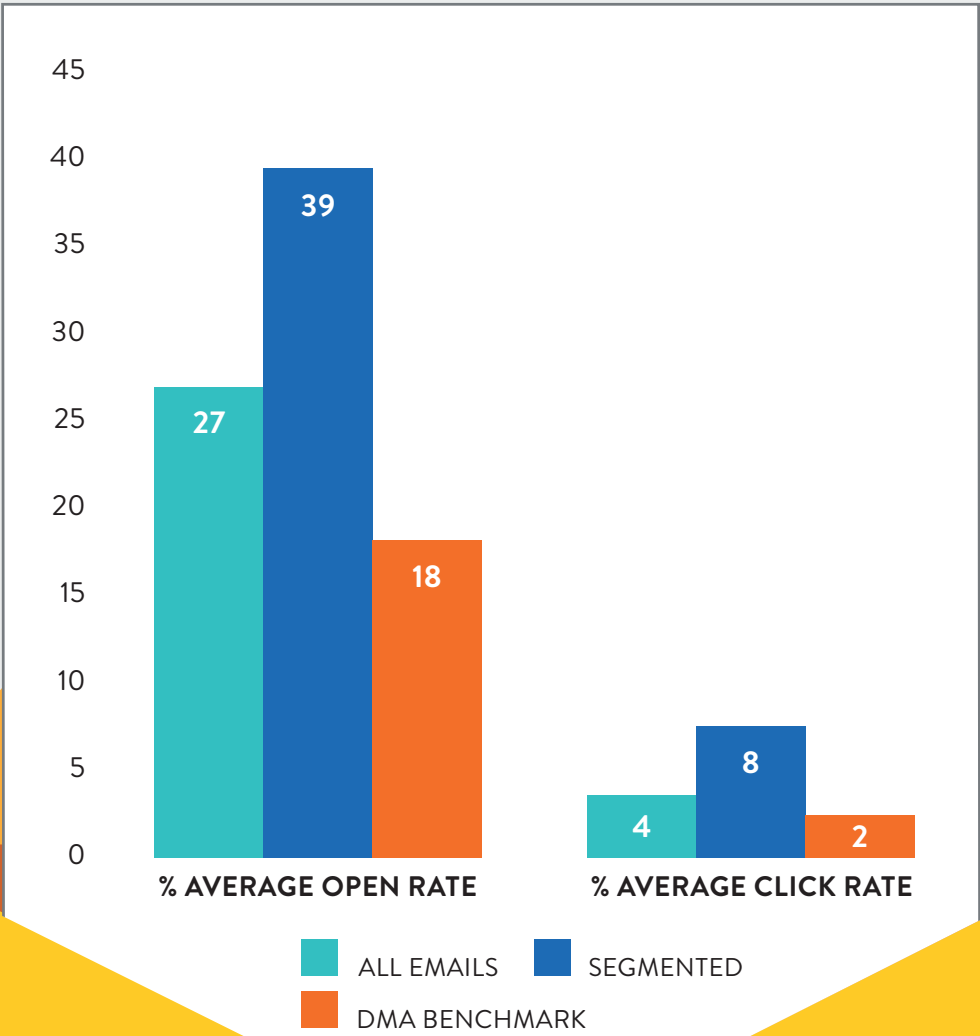
Luminato builds highly targeted and personalized emails into their marketing strategy. This has yielded impressive results:

- Highly targeted emails sent to as few as 50 people can achieve open rates of as high as 80%.
- Launch emails are sent to patrons based on past booking behavior, highlighting the events that are most relevant to them and often sharing an associated early-bird offer. These types of emails consistently achieve open rates of more than 50%.

Luminato's campaign success can be attributed to some key principles in their email approach:

- Customer segmentation is based on patrons' attendance and purchasing behavior (for example, patrons who booked several tickets within a particular event genre during the previous season).
- Customer segmentation is based on potential benefit to the patron (e.g. patrons who have booked an event in one space might want to see the other show in that space on the same evening).
- Campaigns are personal, relevant and contextually specific.
- All communications are prioritized so that patrons are never bombarded with many emails at once and only receive the most important messages (even if they technically meet the criteria for others too).
- Targeted offers are included in emails as they encourage engagement and build a reciprocal relationship.

Achieving consistently high email open rates takes a steadfast commitment to fostering individual relationships with patrons by drilling down into CRM data. This commitment has to be shared by the whole marketing and communications team because nurturing a more personal relationship with patrons requires carefully controlled communications.

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LONE TREE ARTS CENTER
DENVER, COLORADO, USA

Lone Tree Arts Center hosts a wide variety of concerts, plays and events. The venue includes a grand entry hall space for events and exhibitions, a 500-seat main stage theater and an adaptable 225-seat event hall.

Having long recognized the power of targeted emails, the team at Lone Tree take a data-driven approach to customer segmentation. They consider this the most valuable tool in their kit and their goal is for patrons to only receive emails that feel truly relevant to them. To support this effort, they refer to crossover analysis reports and segmentation models that reveal patrons' areas of interest and their relationships to the organization through their past behavior. The data findings help them stay consistent in their approach across channels, gain a deeper understanding of their patron base, make informed, efficient use of resources, and speak personally to patrons. This data-driven insight helps them to:

- Constantly check their own assumptions about patrons. They interrogate events that have had the greatest attendee overlap, examining scenarios where the data confirms or challenges their assumptions.

- Take a unified approach to marketing across channels outside of email while keeping the message consistent. First, they tend to send a direct mail postcard to advertise headline shows. Next, they send follow-up emails a few days later – a "one-two punch" of communication that's proven effective. They then use the same list to run targeted ads on social media.

- Tailor content based on split-testing, specifically focusing on subject lines to learn what grabs readers' attention.

Off the back of this, Lone Tree perform well above our data set average, with a 59% open rate and a 44% click-through rate.

❝ We always test subject lines. I've been surprised at some of the cheesier subject lines that have won out, but clearly they work!
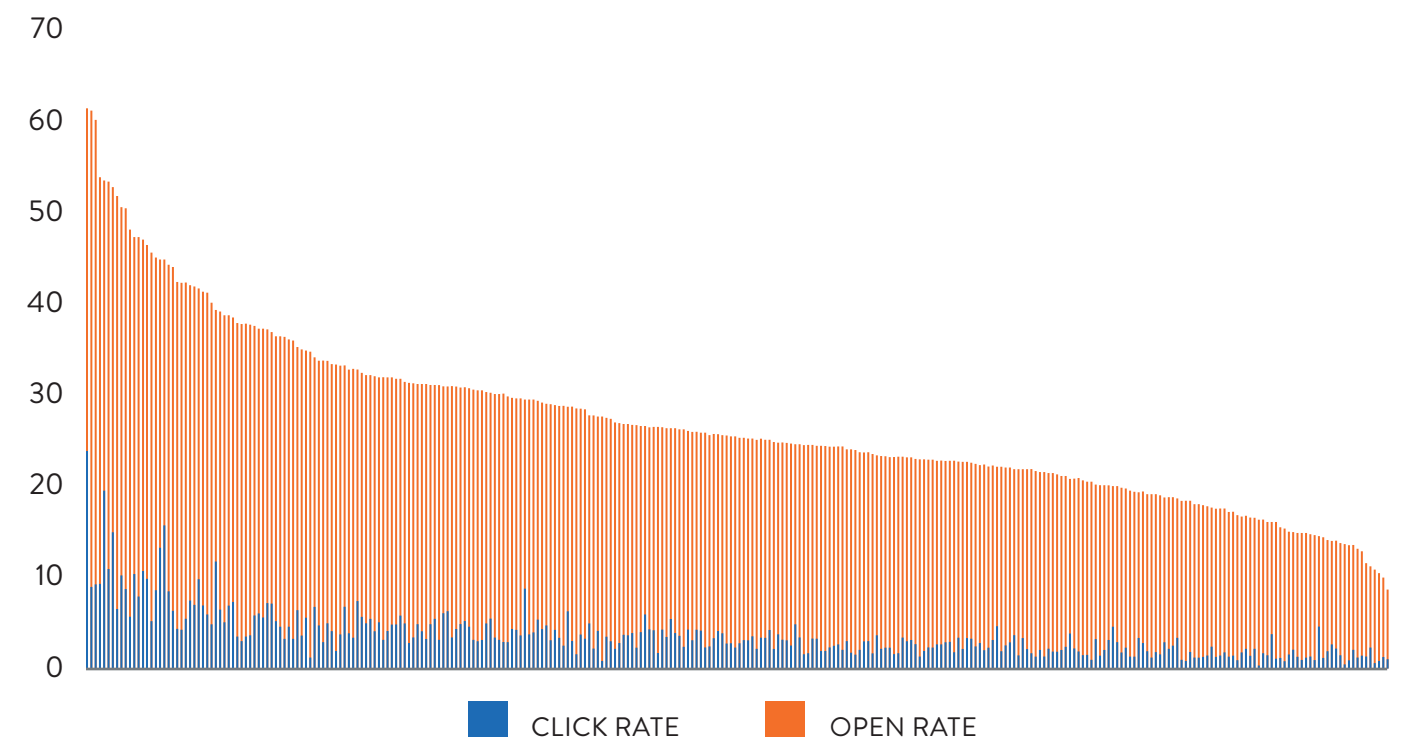
LEIGH CHANDLER
MARKETING DIRECTOR

CONSIDERATIONS

- While email marketing is relatively inexpensive, successful segmentation and communication strategies can take time to refine. Measuring what matters will help you know if this is time well spent. **Have you set targets for your email communication on open rates, click-throughs, and/or resulting sales?**

- Our success stories and outside research[5] suggest that sending email in context to the receiver, not just on the timeline of the sender, drastically improves open and click-through rates. **What can your organization do to use available functionality in your CRM and email marketing systems to reach out in a way that truly connects with the recipient, both in tone and content?**

- What's next for segmentation? Is your organization utilizing segmentation principles for fundraising? Have you considered combining behavioral and context-specific segmentation with demographic or attitudinal/psychographic segmentation models? **How much existing knowledge of your patrons is based on assumptions and how much is based on data?**

FULL BENCHMARK

OPEN AND CLICK RATES FOR ALL ORGANIZATIONS

CLICK RATE   OPEN RATE

industry insight:
JCA Arts Marketing

JCA Arts Marketing works with North American cultural organizations to help them increase revenue, boost attendance and grow patron value. With consulting and software services, the JCA Arts Marketing team helps arts organizations across all genres use data-driven audience insights to craft effective marketing strategies.

Jamie Alexander, Senior Manager at JCA Arts Marketing, shares her thoughts on what segmentation really means to arts marketers.

For arts marketers, the ultimate goal of segmentation should be relationship building. It's about thinking about your patrons' distinct characteristics and interests and providing them with relevant and personalized information to keep them engaged with your organization.

The first step of an effective segmentation strategy is to have a deep understanding your patrons' behavior—and the easiest way to do that is to start digging into your patron data in your database. You'll start to see patterns about how your audience behaves, and you can group individuals with similar behaviors into "cohorts." You can then craft messages and customer journeys, tailored to each cohort, that guide them to deeper levels of engagement at your organization.

Once you start segmenting to meet your audience's needs, you'll not only see that your marketing efforts are more efficient, but you'll also find a more engaged audience.

For more segmentation tips, view our Segmentation Guide for arts marketers[6].

APPENDIX 3

1. Direct Marketing Association (DMA) and Demand Metric, "2016 Response Rate Report."

2. To make this comparable across the data set we have defined segmented emails as any email that has been sent to less than 10% of all patrons who have a "yes to email" contact preference. We have excluded pre- and post-show emails from these segmented emails.

3. DMA's Email benchmarking report 2018. https://dma.org.uk/article/email-benchmarking-report-2018

4. https://www.qualtrics.com/uk/experience-management/brand/market-segmentation/

5. https://www.criteo.com/insights/email-open-rates/

6. https://www.jcainc.com/products-services/the-segmentation-guide/

About this Report

ORGANIZATIONAL CLASSIFICATIONS

For some benchmarking statistics we have grouped the organizations in our data set into cohorts so that the data is comparable for similar types of organizations. They are as follows:

- **Arts Center** – multi artform.

- **Classical/Music** – including opera, orchestras, concert halls.

- **Festival** – majority of programming occurs during a condensed time period, normally annual/biennial cycle.

- **Producing** – primary programming is of resident company, artistic output is produced in-house.

- **Receiving & Presenting Venues** – majority if not all programmed events produced externally.

- **College/University** – schools/colleges/universities that predominantly focus on music and drama (e.g. conservatories or drama schools), where the mission is mainly to showcase student work.

ABOUT THE AUTHORS

SARAH FROST
CLIENT INSIGHT MANAGER

Sarah is serious about data and using it to help make great things happen in the arts. She works frontline on strategic initiatives with organizations that use Spektrix, supporting them to leverage data for decision making and to monitor their success. Sarah has a detailed understanding of the sector's challenges and ambitions, and using her Spektrix and data know-how has helped make a real difference for many organizations. She has previously worked in arts and publishing marketing roles and is based in our Manchester office.

LIV NILSSEN
SECTOR STRATEGY LEAD

Liv brings 15 years' experience in performing arts management and fundraising in both the U.S. and the U.K. to the global Spektrix team. Her role is to ensure that we have the biggest impact on the arts and cultural sector as possible. She is the Co-author of our *Boldly Compliant - GDPR* series and is always looking to further understand the world from our clients' perspectives, share learnings and make connections that help realize and even grow their ambitions.

ABOUT SPEKTRIX STRATEGIC CONSULTATION

Strategic Consultation

The combination of our people, software tools and extensive industry experience puts us in a unique position to consult with our clients on a wide range of topics. The areas we support range from strategic to tactical and from one-off workshops to long-term projects. We often focus on business change supported by best practice use of our software. The service is available to all of our clients and there is no extra cost for accessing it.

Support and Training

We're on hand to help our clients seven days a week with their use of Spektrix and getting the most out of our tools.

What's next?

Would you like to speak to us about anything you have read in this report?

If you're an organization that's not using Spektrix, book a call with one of our expert team members to explore how your organization shapes up against your industry peers. **Click here** to book a slot or call (646) 741-4337.

If you're an organization already using Spektrix and would like to explore how you can take the insights from this report and make changes within your organization, please visit our Support Center where you can access our consultative support, contact us via **support@spektrix.com** or call (646) 569-9097 or 1-800-961-5971. All our consultative support is included at no extra cost.

For partners, press or sector questions please contact us at **hello@spektrix.com** to explore opportunities for utilizing the data.