

Marketing Services Organizations for Nonprofit Arts Groups: Core Components and Replication

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Program Replication

In the past, U.S. foundations funded innovative programs, and the government took responsibility for replicating the ones that worked best. As government resources for replication have dwindled in recent years, foundations have sought ways to take a more active role in helping good programs spread more widely.

It is a smart philanthropic investment to concentrate on ways to reproduce good programs, rather than devoting so much effort to creating hundreds of new ways to solve problems. For example, the Soros Foundation recently replicated Head Start in eastern European countries instead of creating a web of new, unproven programs in an attempt to address children's needs.

A substantial base of science and experience guides program replication. The strategy outlined here draws on that experience and uses a "core components" approach, which involves a systematic effort to identify the critical elements of a program. These elements must be reproduced faithfully if replication is to succeed. Other aspects of the program can be included, excluded or modified to fit varying local needs.

Documenting core components of an innovation increases the potential of the replicated program and its local acceptance. First, it helps lower resistance among potential stakeholders, provides motivation for participants and helps them take ownership of the model program. Second, it helps those interested in the possibility of replication determine whether or not the critical elements of the program are likely to fit the local environment. This helps organizations avoid wasting energy trying to implement a model that isn't really appropriate for a particular setting.

Core Components of the Charlotte Marketing Services Organization

The review of the Charlotte MSO included an examination of program documents, a review of evaluation research, interviews with leaders of Charlotte arts community organizations and consultations with staff from Knight Foundation and AMS Planning & Research Corp. The review identified eight core components of the Charlotte MSO model.

First, a successful marketing collaboration must have a clear strategic plan. Second, it should start with a pilot phase of limited scope. Third, the participants need to define key marketing activities with leverage potential. They must agree on a specific mix of marketing services. Fourth, strong leadership is essential, not only in the MSO but also in each of the participating groups.

Fifth, the role of the host organization must be clearly understood and structured in a way to support the MSO's work. A sixth issue is how participating groups will integrate MSO marketing with their internal marketing activities. The seventh component, the long-term sustainability of the MSO, needs to be addressed from the earliest planning phase. And finally, ongoing market research and regular evaluation must be incorporated into the program to provide the information and assessment essential for continued success.

Each potential replication site will have its own unique set of resources or timing advantages. Addressing these eight components in creating a marketing services organization will help maximize the value of whatever assets exist within the community.

1 Strategic Planning

Both a business plan for the MSO and long-range marketing plans for each of the participating arts groups are essential to success. In Charlotte, an outside consultant helped the Blumenthal Center develop the MSO business plan. MSO staff developed the long-range marketing plans for each member group.

Outside support for these activities is essential, as they occur in the planning period before there is payoff from the effort to motivate internal financial commitments. In the case of Charlotte, that support came from Knight Foundation; other potential sources include other foundations, government agencies, corporate or other private donors. It is particularly important for the plans to establish systems that provide for operating support when outside funding ends.

2 Pilot Study

Because the MSO is such a departure for nonprofit arts groups accustomed to operating autonomously, a pilot phase during which the MSO serves a small number of clients is essential. This trial period allows stakeholders to observe how the concept is put into practice. It also allows MSO leaders to refine the model before full implementation.

3 Key Marketing Activities with Leverage Potential

The MSO needs to define the activities it will pursue during the initial period in which outside funding supplements operating costs. It should determine which activities will remain in the MSO's permanent service mix, once the start-up phase ends. Examples of these activities include:

- Sharing of mailing lists among all member groups
- Increasing volume and quality of creative services to help fulfill the potential of this unusual, somewhat risky enterprise (a senior marketing executive and in-house graphic design staff are two Charlotte examples)
- Centrally purchasing marketing and advertising services to produce economies of scale
- Using cross-promotions to increase attendance and overall awareness of community cultural opportunities (a mailing about Opera Carolina's *The Crucible* to the Charlotte Rep's mailing list, for instance)
- Using market research to help decide critical issues like pricing policy (such as Opera Carolina's decision to change its policy linking direct contributions to seat assignment for renewing subscribers)
- Pursuing in-kind arrangements for marketing media (such as the Charlotte MSO's deal with local television stations to provide broadcast time in return for ad space in the MSO's *Playbill*).

4 Leadership

Coordinated leadership from four areas is vital to the MSO's success. The effort needs champions in the local arts community who initially promote the idea of collaboration, leadership at the host organization, leadership from within each of the MSO clients and leadership from members of the MSO staff.

5 Determining Role of Host Organization

Planners may select an existing agency to house the MSO (as in Charlotte) or create a new organization to run the MSO operation and possibly serve other purposes as well. Whatever the ultimate decision, the host organization of the cooperative will play a critical role in providing financial, leadership and structural support.

In the case of Charlotte, where Knight Foundation hoped its grant support would leverage funds, it was essential for the host organization to make a significant financial and in-kind contribution. Alternatively, the host organization could raise the necessary funds from other public or private sources. In Charlotte, the performing arts center also provided a home, literally and figuratively, for the MSO. The center helped the MSO weather the expected start-up difficulties. In fact, the MSO was in many ways an expansion of the center's existing marketing operation.

Finally, in Charlotte there were complex structural relationships between the center, the MSO and the three performing arts clients. In most cases, each member benefited when other partners grew stronger. The relationships created enormous incentives for the members to maintain the MSO. These structural supports were an essential ingredient in the early success of the MSO and its survival beyond the period of Knight funding.

6 Integration with Client Internal Marketing

The MSO concept is not designed to undertake all of the marketing activities of its client nonprofit arts agencies. In Charlotte, for instance, NCDT continued to do its own marketing for its touring operations. Opera Carolina maintained internal marketing of its education program. The MSO worked closely with the marketing staff responsible for these activities, and with the marketing committees of the boards of each member group.

7 Attention to Sustainability

Like most new projects, the MSO was at risk of going out of business when its initial outside funding ended. From the beginning, MSO leaders must plan for the transition from outside funding to internal support. The MSO's business plan should spell out the terms for achieving sustainability, and participating groups must agree to those conditions from the outset. It is important for the outside funder to define an exit strategy including clear language on the limits of its initial support and future priorities.

The Charlotte MSO was never fully dependent on outside funding because almost half its early support came from the host organization. Also, Knight Foundation defined an exit strategy based on declining grant support.

8 Marketing Research and Program Evaluation

Systematic data gathering plays a key role in the development of the MSO. Research is critical both in the planning stages and at the end of the demonstration period. Follow-up research provides helpful comparative data and serves as an evaluative tool. With repeated measures, the MSO can develop intermediate benchmarks to track progress toward long-term goals. In addition to measuring the impact of the MSO, evaluation research also should assess the quality and strength of the relationships required to sustain the collaborative.

Community Context

In implementing the core components, planners working to replicate the MSO concept must consider other developments in the local community. In particular, planners should address two key questions.

What else is happening in the arts community that may affect planning of the MSO?

In Charlotte, the MSO arrived during a time of extraordinary growth in the nonprofit arts community. In addition, after years of being considered unsafe, the uptown area came again to be seen as a favorable location for going out to arts events; this was intertwined with the opening in 1992 of the spectacular new Blumenthal Center and also the success of its Broadway series.

The substantial growth of NationsBank and First Union Bank (both of which have corporate headquarters in the city) strengthened the Charlotte economy. The two banks provided a strong corporate support base for the arts. These contextual factors helped create an environment in which a bold experiment like the MSO could succeed.

What is the community's long-term vision for arts and culture?

In Charlotte, leaders have made a concerted effort to organize and unify arts activities in the community. They created a five-year master plan for arts and culture in Charlotte. In particular, Charlotte has a strong Arts & Science Council that functions as the major funder of nonprofit arts in the community. The community's vision for arts and culture helped create a strategic base for the MSO and its marketing activities.

Barriers to Success

Lessons from the Charlotte experience also point to several challenges communities may face as they work to implement an MSO.

Loss of Control

Leaders of arts organizations fear systems that reduce their artistic freedom, including how their creative works are presented and marketed to the public. In an MSO, in fact, there is a loss of choice and control, which should not be minimized, but can be managed.

In Charlotte, arts groups feared the MSO would create a "vague sameness" to their marketing. One person described the prospect of a "managed art" system. However, leaders interviewed in Charlotte were unanimous in asserting that this fear had not materialized. Early on, the MSO helped each organization develop its own corporate identity. As a result, each entity was able to keep basic creative control over the content of marketing, while yielding some control over implementation and delivery of that content to the public.

Some leaders of arts organizations believe that successful marketers must be expert in the specific discipline in which they are working. Thus, an account executive for an opera company must be an opera expert, and so forth. Fears were expressed in Charlotte that MSO staff members did not have suitable expertise. Retention of creative control over the marketing content has helped reduce this concern.

Competitiveness

In public statements, much is made about the highly collaborative, collegial spirit of arts groups in Charlotte. Privately, almost everyone interviewed acknowledged that member arts organizations also are highly competitive. One group, for instance, asked MSO staff to keep secret details of a particular campaign because of fears that another arts group might appropriate the ideas.

Charlotte arts organizations are accustomed to competing for scarce resources, as are arts groups all over the country. No amount of community collegiality will remove that competitive spirit. Overall, Charlotte's arts community managed this competitive energy in positive ways.

Joint Decision Making

In Charlotte, MSO marketing efforts often affect more than one member arts group. As a result, arriving at decisions that satisfy the leaders of each group has been especially complicated. Several leaders of member groups reported that lengthy negotiations were sometimes needed to reach agreement for actions on otherwise basic marketing issues. Leaders did not suggest a solution for this. Instead, they perceived this simply as a price to be paid for having both creative autonomy and shared resources.

Lack of Inclusiveness

The Charlotte Symphony, a major player in the community's art scene, was not among the MSO's original clients, in part because the symphony presents as many events as all four MSO groups combined, and partly because of the symphony's severe financial problems at the time. During evaluation discussions, other reasons were offered as to why the symphony was not included in the MSO. Some leaders mentioned personality conflicts. Others noted that the symphony already had an internal marketing unit that was quite successful.

Whatever the explanation, the decision not to include the symphony has not prevented the MSO from succeeding. It has, however, reduced opportunities for cross-marketing and reduced the upper limit of economies of scale that might be achieved. At one point, discussions were held between the MSO and the symphony about using the MSO graphic design capability. But the symphony needed a full-time person, not part-time access to MSO staff. The symphony currently has no plans for involvement with the MSO, but there have been informal collaborations.

Funding Expectations

In Charlotte, several arts leaders said that there had been an expectation among the member groups that Knight Foundation would provide additional transition funding – despite a clear statement in the 1995 business plan that explained the limits of the Foundation's support. In fact, each client signed a contract with the MSO acknowledging that it would be responsible for its own costs beginning in year three.

Even so, leaders said their expectation for additional funding continued to influence their planning. As a result, they said they had to scramble to support the MSO financially at the end of Knight funding.

Replication Issues in Long Beach

In 1998, Knight Foundation awarded a planning grant to Public Corporation for the Arts (PCA) in Long Beach. The grant allowed PCA to conduct audience research, survey other innovative arts marketing efforts across the country, convene a panel of experts to consider how an MSO might be implemented locally and develop a strategic plan for such an organization in Long Beach.

In addition to drawing on lessons from Charlotte, PCA sought information about other innovative arts marketing approaches around the country. These included the Cultural and Scientific Facilities District in Denver, the Grants for the Arts Program in San Francisco, the Texas Arts Marketing Initiative, the Arts Marketing Center (funded by American Express and based in Chicago) and an experimental marketing unit for Canadian arts organizations funded by the McConnell Family Foundation.

At the time of the planning grant, important elements to support a version of the MSO were already in place in Long Beach. PCA, an umbrella organization for arts in Long Beach, had been in existence for 20 years and had credibility in the community. PCA developed a master plan for arts and culture in Long Beach and convened a communitywide marketing committee to serve as an oversight body. A new nonprofit, Long Beach Inc., had begun promoting the city, including arts and culture activities. New institutions, such as the Long Beach Aquarium and Museum of Latin American Art, were expanding the cultural footprint of the city.

Long Beach also faced some immediate challenges. As many as 80 nonprofit arts organizations could play a role in the local arts partnership, yet no single venue was ready to coordinate the groups' activities. PCA had only begun exploring possibilities for a presenting program; the lack of a presenting program limited opportunities for new revenue streams. PCA had recently undergone a leadership change, so there also were questions about who would champion the marketing project. Finally, Long Beach is part of the larger cultural community of Los Angeles, and many residents of Long Beach seek arts and culture experiences outside the city.