

Patronage Retention: Winning Strategy for the 21st Century

*Synopsis of the 2009 State of the Industry Analysis
by Rick Lester, TRG Chief Executive Officer.*



The significance to sustainable revenue through customer retention and loyalty is a decades-old and well-established operating paradigm in the for-profit world. This is not so among arts and cultural organizations.

While subscription, membership and other forms of sustaining patronage generally are priority efforts, the arts industry's main marketing and audience development focus continues to be: find more new patrons. The loss of patronage – that is, audience attrition or churn (the problem) – has received high-profile industry publicity recently. Yet patronage retention (a solution) appears on the executive radar of only a tiny fraction of American arts organizations.

TRG's counsel on patronage retention is informed by the work of our firm's Data Lab, where consultants track more than 40 million individual purchase and gift transactions of some 20 million North American arts-buying households. In studies for large and small organizations and communities, TRG has tracked huge numbers of new patrons – specifically single admission buyers – every year.

On average, single admission buyers represent 90% of all new patronage. For large-budget companies and museums, new single admissions number in the thousands. For smaller organizations, new patrons represent one-third to one-half of all patrons. The consistency of these findings over time and across multiple studies led TRG to conclude earlier in this decade that most arts and culture organization are doing a fine job of finding new audiences.

Keeping new patrons, however, is an acute problem. TRG patron behavior research concludes – and recent industry research on audience churn corroborates – that four out of five new single ticket buyers attend once and then disappear. They cease paid transactions and are lost as a prospect for further cultivation.

Loss of patronage though unchecked attrition increases an organization's revenue risk and drives up its expenses. As a business model, the aggressive acquisition of more new patrons is a cause of inadequate growth and unfulfilled return on marketing investments. In America's undercapitalized arts institutions patron churn creates an ever greater drag on already limited operating resources. Our firm's consulting mantra has become: **Stop over-prospecting and under-retaining; invest instead in developing patron lifetime value.**

Building patron loyalty and long term retention requires a dynamically maintained, strategically deployed patron database. Patron information including contact, transaction, and buyer type data becomes the vehicle for finding and targeting

prospects with tailored offers best suited to each – such as an invitation to a newcomer to return again or to deepen involvement by a long-time patron.

Data sharing within organizations and communities is emerging as a powerful audience development force.

Within organizations, TRG counsels that organizations can generate greater revenues when they manage patron relationships rather than individual Marketing and Development department silos. Organizations should strive to deepen patron relationships using every possible means, and let their database be a foundational repository of institutional knowledge.

Sharing data through community database cooperatives benefits both individual organizations and everyone in the community. TRG research shows that patrons who are the most actively engaged in paid patronage in single organizations generally are the same patrons who support arts and culture across disciplines throughout a community. Creating multi-buyers of all types improves sales, reduces patron loss through attrition of paid activity, and generates higher retention. No organization can afford to “go it alone” any longer.