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## **Leveraging Patron Loyalty to Increase Sales, Donations and Public Perception**

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In recent years, the phrase “patron loyalty” has become a hot topic across the arts and culture industry. It is no surprise, given that almost every retailer — from coffee shops to shoe stores — has a customer loyalty program. As Peter Maulik writes in *Entrepreneur*: “Boosting customer retention by 5 percent can increase profits by as much as 80 percent. This is a major reason that CEOs from New York to New Guinea are creating loyalty programs in an attempt to forge stronger connections with customers.”<sup>1</sup>

In a traditional business environment, patron loyalty programs are bottom line campaigns designed to incent additional purchases and promote brand loyalty in fiercely competitive environments. Think of the travel industry: airlines, car rentals, hotels, or of retail outlets that sell items for everyday living such as grocery stores, clothing stores and drug stores. It appears that nearly all such merchants have loyalty cards and reward points, with the highest-ranked programs offering premium benefits and even cash rewards based on continued spending. Recently, as consumers have embraced mobile shopping and digital payments, the opportunities for loyalty programs have expanded. These new technologies are enabling organizations to implement new loyalty programs at a faster pace than ever before.

Today, loyalty programs are more important than ever in attracting, engaging and retaining customers — and in enhancing the overall customer experience. According to the Marketing Science Institute, loyalty programs are “popular and ubiquitous marketing instruments, with U.S. companies spending more than \$1.2 billion on them each year, program participation topping 1.8 billion, and the average U.S. household subscribing to 14 different programs.”<sup>2</sup> This *Arts Insights* article will explore five successful components of patron loyalty programs for arts and culture organizations that will help those of any size to seize the opportunity to build a patron loyalty program that will offer measurable results for both organizations *and* patrons.

### **Framing the Patron Loyalty Conversation**

For arts and culture organizations, the challenge to successfully introduce patron loyalty programs can seem significant. In many ways, the industry is behind the curve as it often struggles even to merge patron donor data with patron sales data in

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<sup>1</sup> “[How Rewards Are Running Loyalty Programs Into the Ground](#)” by Peter Maulik. *Entrepreneur*. April 14, 2014.

<sup>2</sup> “[Understanding the Effectiveness of Loyalty Programs](#)” by Lena Steinhoff and Robert W. Palmatier, Marketing Science Institute. 2013, 13-105

a way that provides timely, meaningful, and actionable information. Traditionally, cultural organizations have wrestled with the realities of separate databases serving their marketing and their development operations (earned revenue versus contributed revenue). There is often fierce territorial control over the approach to both kinds of patrons within these databases, a lack of cross training or shared information, and a sense that these two critical revenue sources can operate successfully in separate orbits from one another. Overcoming this division is essential to effectively introducing a patron loyalty program.

Prior to developing a patron loyalty program, successful organizations will want to ask the following questions:

- Why is patron loyalty important to this institution, and what is the goal of patron loyalty? How will we measure these goals?
- What activities must become ingrained in our organization to cultivate a culture of patron loyalty? Which activities should be prioritized first?
- What does loyalty mean to our patrons and what are the implications for the community?

### **Components of a Successful Patron Loyalty Program**

Nurturing patron loyalty requires a strong understanding of the success factors for any program. Consider the following:

#### **1. Setting Goals**

Prior to developing a patron loyalty program, successful organizations will invest time examining the possible outcomes of such a program, keeping in mind that an organization's goals (increasing revenue, raising name-brand awareness, securing prestigious grants, increasing annual fund contributions) may not be aligned with patron goals (experiencing the arts more often; enjoying public recognition as a donor; making positive change in a community). If an organization's goals include increased revenue, what "kind" of money does that mean? If enhancements to customer service are desired, what does that look like and can it be measured? What type of behaviors does an organization desire to incite?

In short, organizations must examine how they define a loyal patron. True patron loyalty is not necessarily as simple as immediate dollars donated or spent on tickets.

These are just a handful of the questions organizations will want to ask in order to establish realistic goals and outcomes, in addition to examining what support structures are required to successfully execute these programs.

"True loyalty doesn't just serve and preserve valuable customer relationships; it creates and inspires more valuable customers. Loyalty is a mutual investment, not just an exchange. That's why improving the loyalty of bargain hunters rarely delivers sustainable value. Promotions acquiring customers who care more about momentary transactions than ongoing relationships is bad business. Retaining costly customers who stress out customer service staff usually proves a money-losing proposition." [Michael Schrage](#), *Harvard Business Review*

Rather than being conceived as short-term campaigns to drive immediate revenue, patron loyalty programs should be framed in the context of growing and cementing valuable relationships over time. The most effective programs generate immediate results as well as increasing dividends over time. Organizations must also offer loyalty and value exchange rather than simply asking for it from patrons, donors, and other stakeholders.<sup>3</sup> In addition, organizations will want to keep one key factor top-of-mind: Many loyal patrons do not merely desire savings. In fact, many do not require savings as part of a program at all. Rather, they relish meaningful experiences, associations, recognition for helping to advance a relevant mission in the community, and personal attention.

## 2. Addressing Customer Perceptions

How visible is your institution in the community? How much do patrons know about your organization's programming, mission, and community impact? What about visibility in the larger community? If patrons lack a clear understanding of the vital role an organization performs by fulfilling its mission in the community, obstacles may surface that create challenges in operationalizing a successful patron loyalty program.

Arts and culture organizations are often highly skilled at promoting paid events such as concerts, performances, and special exhibits. However, we must go beyond this kind of publicity and tell the story of our mission in the community in order to raise the profile of our institutions and increase the impact of our programs. The most effective public relations programs go beyond the communication of statistics such as the number served or demographic reach — they connect programs with people to tell the human story of impact in the community. Further, are there negative perceptions about your organization that need to be resolved in the public eye prior to advancing the profile of the institution? Are your events perceived as popular and in demand? Or are attendees able to buy tickets to premium exhibits at the last minute or view empty seats for your performances. If the answer is yes to any of these questions, it becomes that much more important to raise community awareness of mission in order to support your patron loyalty efforts.

A strong patron loyalty program is not simply a reflection of good fundraising techniques or compelling marketing messages. Patron loyalty programs are also a means to augment or expand each patron's thinking and relationship to the organization, so that they start seeing purchases and contributions as a significant connection with a cause they support and value — a relationship and connection they want to deepen and share with others. As Chiaki Nishino writes in *Advertising Age*, "The most effective way to forge that connection is by providing and emphasizing experiences as a means of engaging customers and solidifying their loyalty to the brand over the long haul."<sup>4</sup>

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<sup>3</sup> See "[Why Your Customer Loyalty Program Isn't Working](#)" by Michael Schrage. Harvard Business Review: March 10, 2015.

<sup>4</sup> "[Loyalty Programs Need to Put Customers' Needs First](#)" by Chiaki Nishino. *Advertising Age*. May 08, 2013.

### **3. Aligning Internal Culture**

A robust patron loyalty approach requires resources — financial allocations or reallocations, staff prioritization, and management follow-up. If leadership is not already driving this strategic approach to patrons, staff will want and need to enroll them as champions in order to be successful. There is no magic bullet to the development of patron loyalty, as it is a program that must be built with a strong foundation and ever increasing sophistication. In the person serving as CEO, an organization will also need an invested but more neutral party to help make decisions in the best interest of the organization when there are tactical conflicts between earned versus contributed revenues, expense budgets, and staffing resources. For example, the question of donor access to premium seats versus marketing income goals may require a leader's guidance.

Patron loyalty is not a one-person project, nor is it simply "surprise and delight." All staff must participate and align strategies and tactics for lasting impact. This includes regular meetings as well as calm discussions to resolve conflict and challenges — and having the hard conversations rather than allowing departmental concerns to evolve or escalate into true conflict and poor morale. Successful leaders will define staff roles and team-build between departments. Traditionally, this especially entails marketing, sales, and development staff, but a true patron loyalty program will affect and need assistance from IT, operations, artistic, and education program staffing. Patron loyalty is an institutional mindset and, operationally, the most successful programs are driven by institutions that are aligned across all departments.

### **4. Preparing Data and Systems**

Will an organization's Customer Relationship Management (CRM) system provide account information at-a-glance? Many organizations struggle to maintain valuable patron loyalty, let alone harvest that data for greater insights. Prior to exploring any patron loyalty programs, organizations should verify that existing systems are ready to support the vision of the loyalty program as it expands. It is the exception rather than the rule that every report needed is automatically built into the CRM system. However, when you know what results you need to measure, the good news is that in the current environment, most platforms will allow for custom reporting options to be programmed.

One of the greatest benefits of patron loyalty programs is the data they reap. Not only can an organization gain useful information into buying or giving patterns, it can also use that data to design personalized promotions for individuals or groups. While data collection and maintenance has become easier and less costly, it remains a hurdle for many arts and culture organizations.

The launch of a patron loyalty program is the ideal time to review current infrastructure to determine if it is robust enough to manage growth. Additionally, questions may arise about staffing needs as well as the need of gatekeepers to ensure that data entry and management are consistent. It is never enough to collect data; structures should be in-place to tap into the wealth of information it offers.

## 5. Measurement

Most development and marketing departments understand how they track standard subscriber renewal rates and return on investment (ROI) on certain marketing pieces. For example, with conventional data a development department knows what percentage of donors responded to a first, second, or even fifth appeal, or if the subscriber lapsed and did not respond for almost two years. Yet with a blended patron loyalty program that encompasses data from across an organization, how will marketing evaluate the increase in marginal revenue brought about because development treated subscribers like donors by including additional communications and events beyond the normal marketing/sales efforts?

In order to measure results, an organization must have baseline information. How many patrons are currently participating in your programs through ticket purchase and donation? How many of your patrons are doing both and how often? How many subscribers are taking advantage of their subscriber benefits? When patrons buy tickets to your programs, are they actually coming to see the performances or exhibits? These are the types of metrics your organization will need to have in hand and examine before achievable goals can be set.

Baseline metrics are not enough. Routine reporting — weekly, monthly and sometimes daily — is ingrained in the culture of successful organizations. With this information, your organization will be positioned to course correct or fuel programs that are responding to campaigns. Actual or perceived limitations of CRM software must not become an excuse for lack of measurement. There is always a way to track relevant patron behavior.

### Meaningful Patron Loyalty Programs

This article has outlined five key elements to consider when exploring options for a patron loyalty program — setting goals, addressing patron and community perception, aligning internal culture, preparing data and systems, and measuring results. By assessing baseline metrics, clearly defining goals, ensuring that adequate support structures are implemented, and methodically reporting and learning from results, arts and culture organizations can design and grow patron loyalty programs that nurture mutually-positive patron relationships and meaningful connections. No organization is too small, or too complex, to implement a patron loyalty program that, with thoughtful planning and conscientious implementation, will produce increasing dividends over the long term.



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