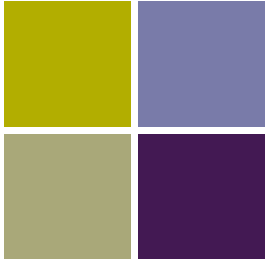


Katy Raines
Building Customer Loyalty and Value
Belfast, Sept. 2011



INDIGO
intelligence. income. impact.

audiences
NORTHERN IRELAND

Introductions and Expectations

- Who you are
- Who you work for
- Your best experience as a customer
- What you want to get out of today

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About me

- Music Graduate, Cambridge University
- Spent 15 years running Marketing departments in UK theatres
- Consultant since 2004, specialising in Customer Loyalty and data-driven marketing
- Current clients include The Lowry, Symphony Hall Birmingham, Warwick Arts Centre, The MAC, Belfast

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Building Customer Loyalty and Value

- Session 1: Why is Loyalty Building important?
- Session 2: The 3 Secrets of successful loyalty building
- Session 3: Case studies
- Session 4: Getting started

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Session 1: Why is building Customer Loyalty and Value important?

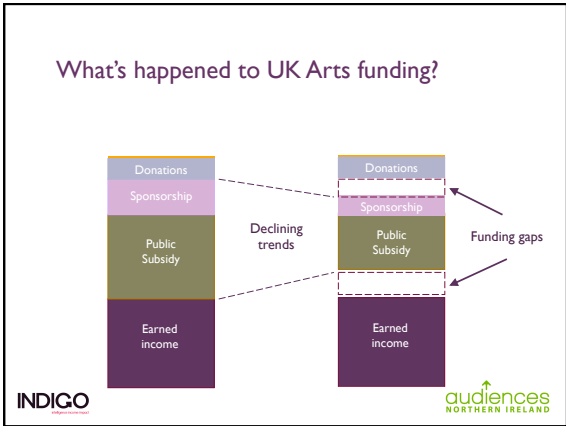
- Why customer loyalty is important for the Arts
- How building customer loyalty can help your organisation
- How the Arts in the UK are doing in terms of customer loyalty

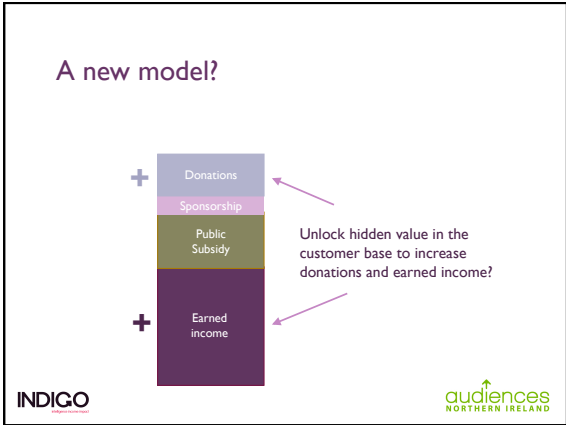
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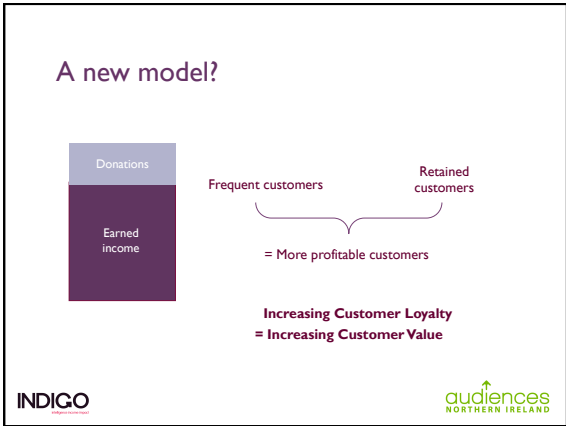
 **And introducing the three key concepts for building loyalty:**

- Frequency
- Retention
- Segmentation

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The 'Old' Arts Marketing

- Rewarded for obtaining 'new audiences'
- UK Government (1997-2010) saw Arts as delivering on Social Exclusion agenda
- Concentration on existing audiences seen as elitist
- Arts Council / Public Subsidy targets skewed towards % of new attenders

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The effect of this on UK Arts Organisations

- Research in England, 2005
- 40 Performing Arts Organisations using our Audience Loyalty Healthcheck™ (data analysis and interviews) 2005-2010

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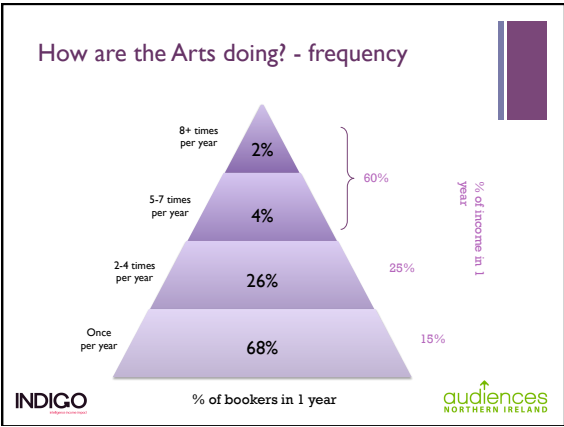
Key concept 1: Frequency

What % of your audience do you think are coming:

- Once only in a year
- More than twice per year
- More than 8 times per year

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How to Increase Customer Value #1

= Increase frequency of each customer by a small amount

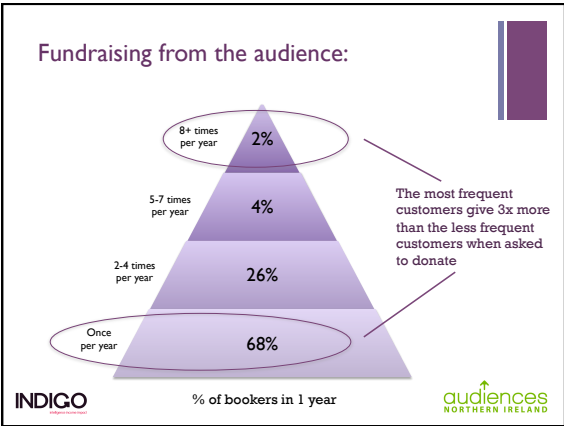
This will increase both:

TICKET INCOME

AND DONATIONS

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Customer Value and Lifetime

Customer Value
=
total ticket spend
+ total donations

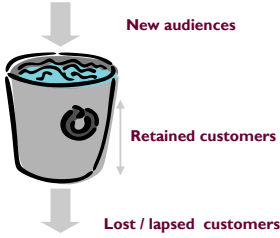
Per year

×
how many years?







Key Concept 2: Retention



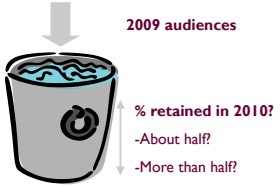
New audiences

Retained customers

Lost / lapsed customers





How are the Arts Doing? - Retention



2009 audiences

% retained in 2010?

- About half?
- More than half?
- Less than half?




Poor retention

- Current UK average around 30% retention
- Losing over 2/3 audience annually

rate	yr 1	yr 2	yr 3	yr 4	yr 5	
Arts Average (UK)	30%	30%	9%	3%	1%	0%


After 3 years this organisation will only have 3% of its audience left!

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My equation for Customer Value

$$\text{Customer Value} = \frac{\text{Income (total ticket spend + total donations)}}{\text{Length of customer lifetime}}$$

- Increasing any ONE of these will increase customer value. All 3 will maximise it!

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ACTIVITY

Organisation A

- a few very frequent attenders with very high retention rates
- lots of less frequent attenders and very low retention rates of first time attenders


What are the **challenges** and the **opportunities** for this organisation?

Organisation B

- very low frequency and retention rates across all customers

What are the **dangers** for this organization of doing nothing?

What might be the **reasons** for these low rates and how could we find this out?

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ACTIVITY / DISCUSSION

Let's talk about where we get these frequency and retention figures from....

What would you need to know in order to calculate:


- Levels of frequency amongst your audience for 1 year?
- Levels of retention amongst your audience for the past 2 years?

What are the issues for you in getting these figures?
How might you get them?


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SESSION 2: The 3 secrets of loyalty building

?

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A reminder – data collection

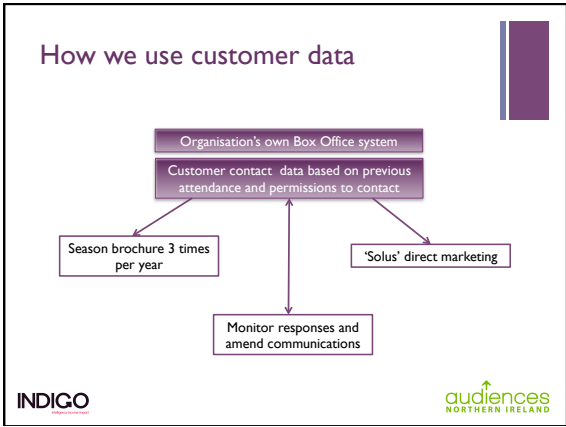


bookings

Organisation's own Box Office system

- Name & addresses (incl email)
- Event purchased for
- Amount paid
- Time/date of purchase
- Permission to contact again about similar events

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The 3 secrets of building loyalty

1. A Big Welcome
2. Small steps not big ones
3. A dialogue that reflects their needs

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I. A Big Welcome

- ◆ 'Morning after' mailings
 - just to say welcome and thank you
 - to push something similar
 - to ask opinions
- ◆ EXAMPLE: WELSH NATIONAL OPERA


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WNO

Welsh National Opera **La Boheme**

- Attracted high levels of new customers on previous tour (average 57%)
- Aim to encourage first time bookers to book early for another production
- If WNO made you cry last night.....
- Branded WNO tissues mailed the day of the performance so they landed the morning after



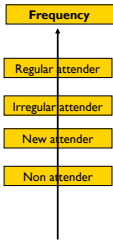
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WNO

- Cost less to produce than what we were previously sending on a season basis
- Tickets for both shows in all three theatres more than doubled in the four weeks following the campaign
- Generated word of mouth and media coverage
- Won two prestigious advertising industry awards
- **12% of first time customers re-booked**

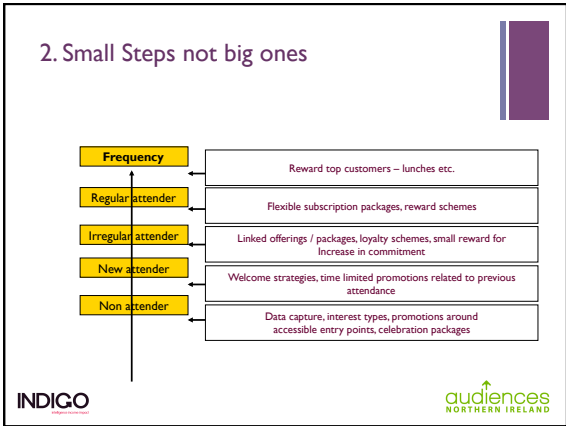
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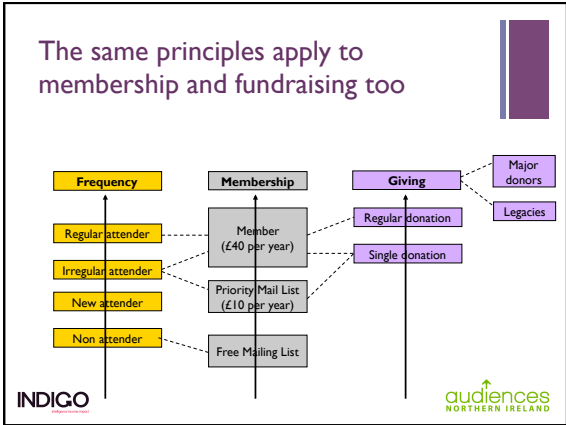
2. Small Steps not big ones



It is not going to be possible to move someone from the bottom of the ladder straight to the top – different tactics are needed for each 'rung' of the ladder

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Communications need to be targeted

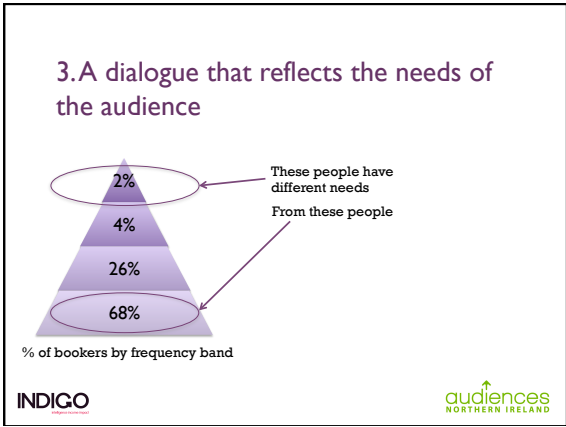
The best approaches at building loyalty take into account:

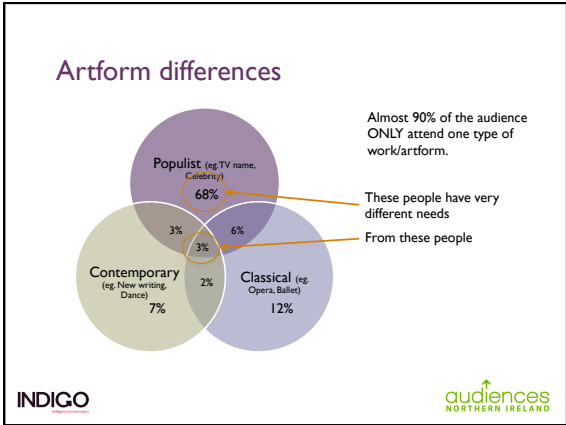
- Frequency
- Artform likes/attendance

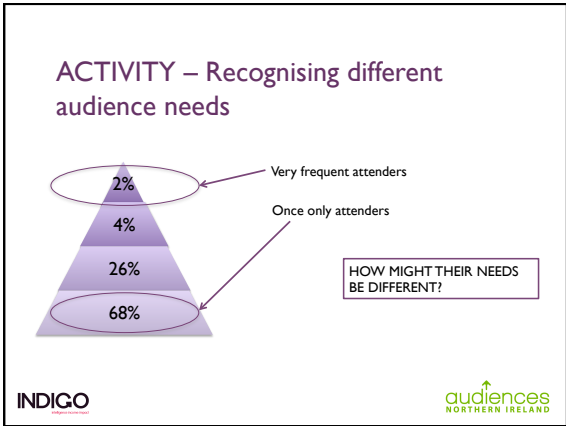
= **Key Concept 3: Segmentation**

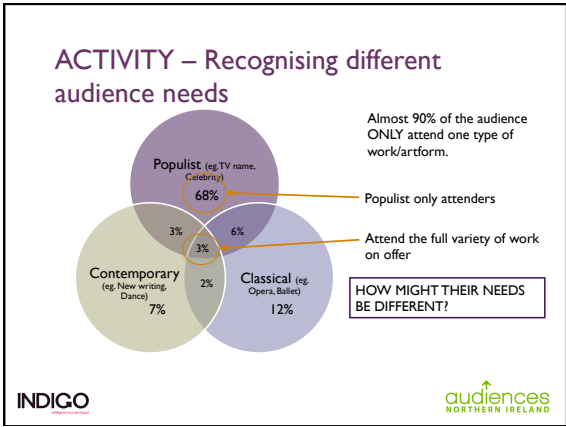
Each segment receives DIFFERENT communications from the others according to their needs

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SESSION 3: Case Studies

- The Lowry, Salford – multi-arts venue (receiving)
- Ulster Orchestra, Belfast – single artform (producing)
- Theatre Royal, Plymouth – producing and receiving theatre

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The Lowry, Manchester


- Large Scale Regional Arts Centre, built in 2000
- 2 theatre spaces (1700 and 450 seats)
- Visual Art Galleries
- One of UK's most successful venues
- Visits from companies such as Opera North, Royal Shakespeare Company, Birmingham Royal Ballet, National Theatre, London West End Musicals, etc.

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THE LOWRY ART & ENTERTAINMENT


The 'Old' approach




- Season brochure mailed 3x per year to 65,000 past bookers
- No segmentation – simply mailed the past 3 years' worth
- Cost £50,000 each time
- = £150,000 each year
- Return on Investment = 2.5:1

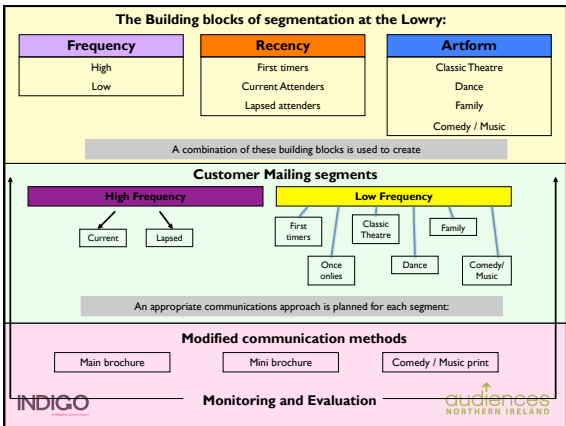
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The 'New' approach



- New segments created, based on:
 - Frequency
 - Recency
 - Artform
- Different communication methods tested and measured
- Cost savings of £50,000
- Return on investment overall doubled to 5:1

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The basic principles

- Understand the data
- Target people with the communications most appropriate to them (this may be 100% digital in some cases)
- Measure the results
- Ditch what isn't working and keep what is
- Refine Refine Refine

THE LOWRY
CITY & ENTERTAINMENT

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Ulster Orchestra, Belfast

- Northern Ireland's only symphony orchestra
- Repertoire is a mixture of Serious Classical, Popular Classics and Family concerts

ULSTER ORCHESTRA

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Ulster Orchestra, Belfast


■ 80% of the audience only attending one 'kind' of work:

Category	Percentage
Popular Classics	49%
Family	12%
Serious Classical	19%
Popular & Family	2%
Popular & Serious	16%
Family & Serious	<1%
All three	<1%

ULSTER ORCHESTRA



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The Old approach



- Season brochure mailed once per year to 11,000 past bookers
- No segmentation – simply mailed the past 3 years' worth
- Cost £11,000 each time, generating £30,000 of income directly
- = ROI = 1.6:1


 



The 'New' approach



- New segments created, based on:
 - Frequency
 - Recency
 - Artform
- Different communication methods sent to the different segments



The 'New' approach

- Cost was more than halved (£4K instead of £11K)
- Income generated was trebled (£90K instead of £30K)
- Return on investment increased from 1.6:1 to 21:1

THEATRE ROYAL | TR2 | DRUM THEATRE
PLYMOUTH THEATRES

Theatre Royal Plymouth

- Released £10k of savings through adopting a similar CRM approach (and tracking general distribution of the brochure)
- Re-invested in segment-specific comms, targeted into 'hotspot' areas for Populist and Classic work

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SESSION 4: Getting started

- Segment your data
- Start tracking and measuring ROI

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What is segmentation?

- NOT pulling a list for direct mail
- NOT what people attend
- Splits customers by their buying behaviour and their value to the organisation
- In order to communicate differently and illicit different responses
- Segments remain in place over time and guide all communications activity

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My segmentation method for CRM

Frequency is always the best place to start

8+ 3.5% → Regulars
 4-7 4% → Irregulars
 2-3 22.5%
 1 70% → Once Onlies
 2010

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I. Identify your segments (go back 3 years)

		Number of bookers with permission to contact
Regulars	4+ times in ANY of last 3 years	3500
Irregulars	2-3 times in ANY of last 3 years (and who aren't on regulars list)	10000
Once onlies	Once in ANY of last 3 years and not on Regulars or Irregulars list	6000
Lapsed	Haven't been for over 3 years	3926
Total		12636

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2. Monitor the effectiveness of your next major piece of communication (eg. season brochure)


- Work out your costs
- Send out the communication
- Track the response rates and value @ 6 week point after landing
- Work out return on investment

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3. Return on investment (at 6 weeks)


Segment	No mailed	Cost per item mailed	Total cost	bookers	income	% response	Value per booker	Value per item mailed	Net income	ROI
regulars	3500	70p	£2450	385	£28875	11%	£75	£8.25	£7.55	10.8
Irregulars	10000	70p	£7000	750	£45000	8%	£60	£4.50	£3.80	5.4
oncens	6000	70p	£4200	60	£3720	1%	£62	62p	-\$p	-0.1
lapsed	4000	70p	£2800	2	£140	0.5%	£70	17.5p	-68p	-0.97

What should we do?

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3. Use this information to change what you do

- Justify your marketing spend
- Cut wastage
- Reduce marketing costs to improve ROI
- Re-invest savings in other things – what?
- Create more targeted communications for each segment
- Use the same principles to monitor ANY type of marketing communication, print or digital

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The basic principles

- Understand the data
- Target people with the communications most appropriate to them (this may be 100% digital in some cases)
- Measure the results
- Ditch what isn't working and keep what is
- Refine Refine Refine

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