

An American Odyssey

Four museums across the US

In July 2008 Christopher Goodhart, head of the Arts & Cultural Division for Blackbaud Europe, embarked on a trip to the US to meet some of Blackbaud's key clients in the cultural sector. The trip had two aims - the first was to gain information on the development process as Blackbaud looks to introduce new products and services that will help arts and cultural organisations operate more effectively across the board. The second was to share best practices around the world, so that Blackbaud's contacts in over 1,700 arts and cultural organisations can learn from each other and be more effective.

INDIANAPOLIS – THE CHILDREN'S MUSEUM

The first thing you notice when you arrive at The Children's Museum of Indianapolis are the dinosaurs that are crashing through the walls and breaking their way out of the building, whilst inside a wonderful Dale Chihuly glass sculpture towers over 40 feet high in the atrium. The museum was founded in 1925, and over the last 80 plus years has grown into one of the foremost children's museums in the world, seen as an example to many.



Over the years they have focused heavily on building up their endowment, and this now stands in excess of \$250 million. The result of this is that around 52% of their \$24 million operating

budget comes from the income generated by the endowment, with 12% only coming from grants, sponsorship and fundraising. The balance is made up of admissions and programme and activity fees (30%), as well as income from the museum store, rentals and events and restaurant (6%). They take their endowment seriously – they will not build a new exhibit, or any addition to the museum, unless they have raised sufficient funds not just to cover the initial capital cost but also, and more importantly for them, until they have raised sufficient funds for the endowment to cover the ongoing maintenance – so for example the capital cost might be \$1 million, but the estimated annual upkeep might be \$100,000 and so they need to raise a further \$2 million for the endowment to generate \$100,000 per year on a 5% return. Whilst this makes life tougher for the fundraising department, it does ensure the future of the museum and means that they do not have so much annual pressure on budgets.

Indianapolis – The Children's Museum

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Chicago – Museum of Contemporary Art

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Chicago – Museum of Contemporary Art

The new breed of donors are much more demanding, and aware of the fact that there is a marketplace and an element of horse trading to be done with organisations who are looking for donations – the 'what's in it for me' approach, rather than the pure philanthropy of old. As a result, relationships are changing and becoming much more tailored to the individual and less structured, and so the whole issue of Customer Relationship Marketing and one-to-one relationships is becoming much more important.

CHICAGO – THE FIELD MUSEUM

The Field Museum sits on the shore of the Lake Michigan in downtown Chicago, a vast and imposing edifice in classical style which stands proud as part of a trio of organisations which make up the Museum Campus. With an annual income of almost \$5 million from its investments, the museum owes a significant debt to the Field family who had made their money in department stores in the late 19th century.

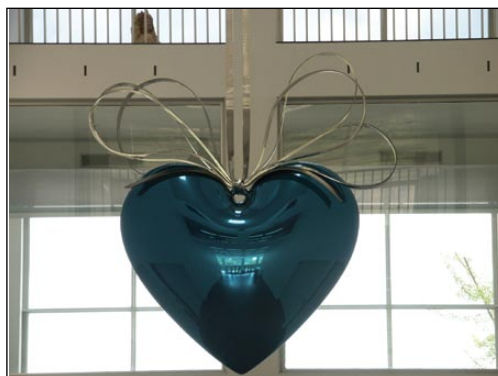


Staff at the Field see the museum as both a destination and a museum, and can boast of being one of the most visited museums in the world. Their strapline is 'Always be discovering'.

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they have found over recent years is that educating their members about philanthropy is very important. Whilst major donors 'get it', and the team who deal with trusts and foundations and corporate sponsors do not need to explain why they need to bring in additional funds, at a membership level it has proven hard to get the message across. Too often people initially become members for a large exhibit, and then do renew (their renewal rates are 42%) but the challenge is then to get them to move up the ladder of giving and raise the amount.

CHICAGO – MUSEUM OF CONTEMPORARY ART



Going into the Museum of Contemporary Art in Chicago this summer, you are confronted by a large steel luminescent blue heart hanging by a thread – or to be more accurate, a ribbon. Walking under this classic piece of Jeff Koon's kitsch requires a certain amount of faith as the ribbon does not seem all

that robust! The museum is finding that the culture of donors is changing. Nearly 50% of the MCA's operating budget comes from contributions. They are facing the classic situation that many of their major donors helped to found the organisation almost 40 years ago, and although they continue to be enthusiastic in their support for the institution, their numbers are starting to dwindle. The new breed of donors are much more demanding, and aware of

the fact that there is a marketplace and an element of horse trading to be done with organisations who are looking for donations – the ‘what’s in it for me’ approach, rather than the pure philanthropy of old. As a result, relationships are changing and becoming much more tailored to the individual and less structured, and so the whole issue of Customer Relationship Marketing and one-to-one relationships is becoming much more important.

BOSTON — INSTITUTE OF CONTEMPORARY ART

Boston’s stunning Institute of Contemporary Art sits on the water front of Boston surrounded at the moment by parking lots and building sites. It



will clearly be one of the centre pieces of this new development area at Fan Pier which will include residential units, hotels, offices and over 100,000 sq ft of cultural and civic space. The ICA not only put

on art exhibitions (when I was there they were showing a wonderful Anish Kapoor exhibition on the top floor) but have a full programme of both live performances and film throughout the year.

They rely heavily on memberships, and with their new building increased the number of members ten fold to get over the 10,000 member mark. Their income from memberships is higher than their box office takings, and a key income stream. Major gift fundraising is fundamental to them, and a large part of the responsibilities of the board members is to bring in funds and contacts.

As they look forward, their main challenges are audience growth and participation, and sustainability. Unlike places like the Museum of Fine Art in Boston, which has an endowment of almost half a billion dollars, the Institute of Contemporary Art has a small endowment with a goal to build it to \$10 million. The challenge for them is that it is much tougher to get people to give to an endowment for sustainability rather than for a landmark new building.

THE TAKEAWAY

One common feature that was apparent was that all the organisations had over the years seen significant cuts in government funding. In some cases this goes back 30 years or more, with some referring to the Reagan era and others talking about cuts of up to 30% in the last 10 years. All of them said that despite the fact that the roots of many arts organisations having been built on philanthropy, they had all had to have a major push on individual giving in order to sustain their missions and organisations.

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In the UK we generally have the impression that all museums in the US have always been privately funded and that the general philosophy of philanthropy prevalent in the US means that they have always relied on private giving as a major revenue source. Whilst this is undoubtedly true to a great extent, it is clear that many organisations had in the past (twenty or more years ago) relied heavily on funding from the city or state, and in some cases the federal government. It was when these sources of funding were drastically cut that they found themselves relying more and more on fundraising and other income streams. So in essence what they have been through in the past is what we are now starting to see in Europe, and this is a trend that is clearly set to continue.

Diversity is a major issue for all arts organisations, and the government in the UK has addressed this to some degree as far as museums are concerned by making entrance free at point of admission for most major publicly-funded museums. In the US this has been handled in another way – many organisations are able to open free at least once a week thanks to generous funding from the Target® retail chain through the Target Foundation for ‘Target Thursdays’. Interestingly what they find is that per capita, customer spend at the shops and restaurants is down on those days. Whether this is because they attract lower income visitors or whether the fact that visitors come with lower spending expectations is a moot point, but one that might well be considered in the UK.

All the museums visited had endowments, many of them built up over many years and now with hundreds of millions of dollars, and these endowments have been key to their sustainability through tough times. Most striking was the philosophy which states that any new investment needs to be backed by fundraising not just for the capital costs but also for the endowment to cover the ongoing running and maintenance costs – a tough job for the fundraisers but a great way to ensure a safe future. The role of boards is also very different from the UK, where boards are often reserved for the ‘great and the good’. In the US not only is the Chief Executive heavily involved in fundraising (anecdotally to the extent of 60 to 80% of their time), but being able to fundraise is one of the pre-requisites to being elected to the board. In one institution this meant a commitment to an initial gift of \$1 million plus annual contributions of \$50,000 per year, and another challenges their trustees to personally raise at least \$500,000 per year.

Interestingly, despite the fact that museums see themselves as visitor attractions, and compete on that basis in the market place, education is still seen as being one of the primary drivers and indeed often seems to hold the balance of power over marketing. Clearly this relates both to school visits as well as ongoing educational programmes, and sees its roots in the fact that most museums originally saw themselves as educational establishments (mirrored by the fact that many museums in the UK still have the ‘.ac.uk’ suffix in their web addresses). Most chief executives come with a curatorial background and so follow this trend on education, but as the sense of place becomes more important, this trend may change and marketing may start to take more of a role in promoting the organisation and its future path.

about Blackbaud

Blackbaud is the leading global provider of software and related services designed specifically for arts, cultural and not-for-profit organisations. More than 19,000 organisations – including English National Opera, Dulwich Picture Gallery, University of Cambridge, and Royal College of Music – use one or more of Blackbaud products and consulting services for in-house and online ticketing, marketing, Web site management, and fundraising. Blackbaud’s solutions include The Raiser’s Edge®, The Patron Edge®, The Information Edge™, Blackbaud® Gift Aid™ and Blackbaud® NetCommunity™ as well as a wide range of consulting and educational services. Founded in 1981, Blackbaud is headquartered in Charleston, South Carolina, and has operations in Toronto, Glasgow, London and Sydney. For more information, visit www.blackbaud.co.uk.

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