

Paid Patronage in Philadelphia:

Migratory Trends and Growth Factors
A Patron Behavior Study

by **RG**
ARTS

for **Engage 2020**
Research Into Action Report

greater
philadelphia **cultural**
ALLIANCE

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Synopsis

This study examined paid patronage trends among Philadelphia arts and cultural organizations. Findings are presented as part of the Engage 2020 *Research Into Action Report*, a resource to help inform strategies for doubling engagement in the community by the year 2020.

TRG analyzed patron behavior in:

- 17 organizations; nine performing arts and eight museum / cultural organizations,
- Five years of transaction history for each organization,
- A total of 515,677 households,
- 1.64 million transactions—single admission and subscription purchases as well as membership and donation investments, and
- Migratory patterns, i.e. how patrons began and ended paid patronage and how patronage lapsed and reactivated.

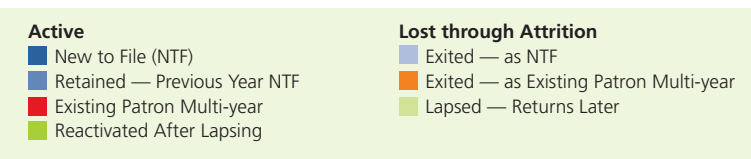
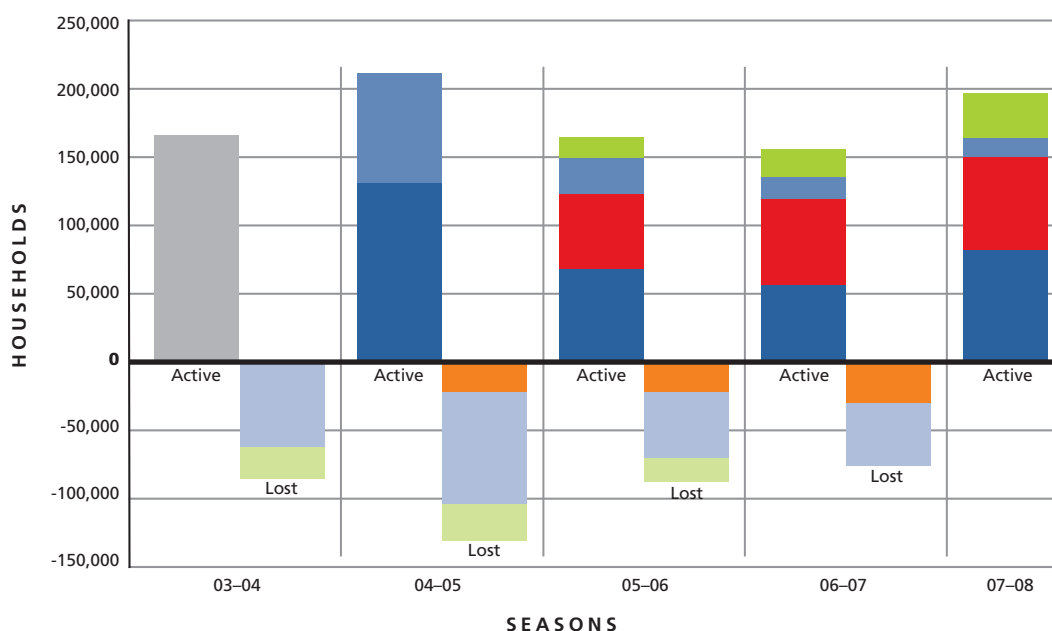
The overall effect of migratory behavior patterns were observed to determine whether and how paid patronage growth occurred in the community.

Major Findings

Philadelphia experienced high levels of total attrition—households ending paid patronage in all organizations of the community. Attrition—paid patronage losses, also called churn—at individual arts and cultural organizations has been well-documented in recent years. This study shows that paid patronage losses by an organization also can be a total loss of that patronage for the entire community. Attrition during the study period was especially acute among new-to-file patrons, those who made a first paid transaction at any organization within the community during the study period.

Two out of every three new-to-file households were lost from the community in the year following their first paid transaction. Regardless of the number of new-to-file patrons, the rate of loss year-to-year among newcomers was consistently high: 63% in 2004–05, 68% in 2005–06, and 78% in 06–07. Conversely, only 32% of all “new-to-file” households remained active paid patrons in the community (were retained) after their first year of paid patronage.

PORTRAIT OF PAID PATRONAGE MIGRATION



For each year of the study period: The bar above zero shows the number of households that were active in paid patronage. The adjacent bar below zero depicts that year’s households lost through attrition.

Patron losses consistently offset active paid patronage year-to-year. Blue-shaded bars represent the study’s dominant force—new-to-file (NTF) households. Whether the number of NTFs each year was large or small, two-thirds or more ceased paid activity the following year.

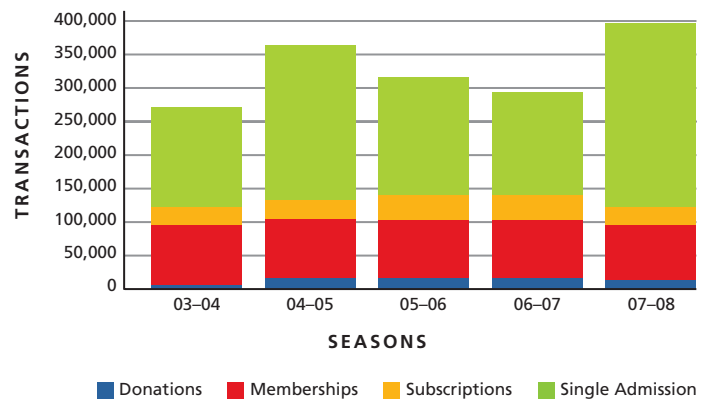
Attrition outpaced retention, even with incremental growth among retained patrons (red bars).

Single admissions drove paid patronage in the community; major events drove single admissions.

(Single admissions are represented by the green bars in this diagram.) When major events occurred in the community, single admissions increased, driving up paid patronage overall. Major museum exhibits—one blockbuster in 2004–05 and two very popular installations in 2007–08 generated peak paid patronage in these seasons. (Deeper analysis of the impact of major exhibits and events, while outside the scope of this community-level study, could provide instructive insights and should be pursued.)

In this study, 45% of all transactions were for performing arts organizations; 41% were for one museum alone and 14% were for the seven other museum / cultural organizations.

TRANSACTIONS BY BUYER TYPE



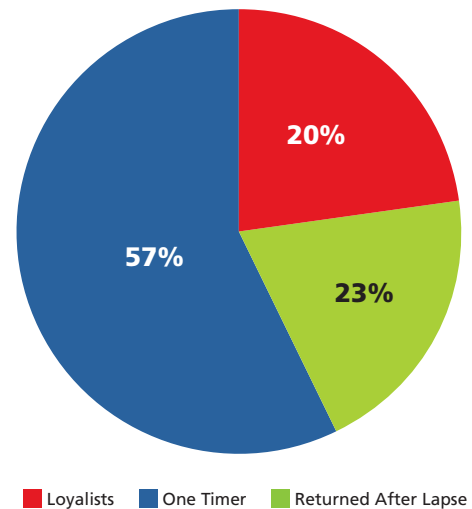
Having just one paid transaction in the community over the study period was the most common type of patron behavior. Among all households examined over the study period, 85% had migratory behavior attributes that fit into one of three patterns:

One-timer (blue segment in chart), began paid patronage one year and exited the next. Three of four of this group’s transactions were single admissions, 24% were memberships. With a median age in the low 50s, this youngest of the three groups has the longest potential patronage life span.

Returned after lapse (green) exited for one year or more and then resumed paid patronage during the study period. Two-thirds of these transactions were single admissions.

Loyalists (red) had paid transactions in three or more years of the study period. While 46% of Loyalists’ transactions were single admissions, they also subscribed (18%), were members (28%) or donors (8%).

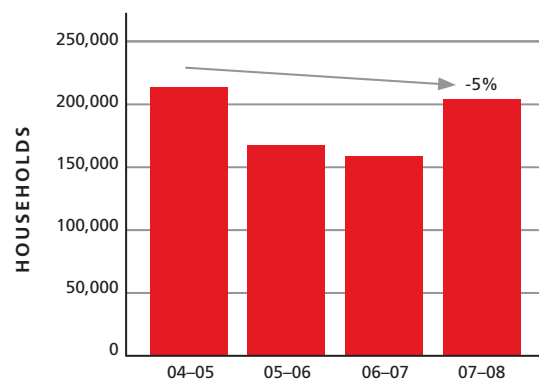
MIGRATORY BEHAVIOR GROUPS



The net effect of migratory behavior was decline.

The number of households engaged in paid patronage dipped 5% from first to last year of the measurable migratory study period.

In a community striving for growth, this study underscores the importance of increasing rates of patron retention within organizations and, therefore, community-wide.



Background

The Greater Philadelphia Cultural Alliance contracted with TRG (Target Resource Group) to participate in developing one of the research resources for the Engage 2020 *Research Into Action Report*. The report will include in-depth qualitative and quantitative research that has been conducted to examine a broad scope of cultural engagement. This study focuses specifically on paid patronage—the transactions that generate sustaining revenue for organizations and for the community's economy.

Methodology

The TRG study team examined data from households that made paid patronage transactions. The analysis tracked how households began, ended, left and returned, or continued paid patronage with cultural organizations. TRG calls this form of analysis patron migration. The specific aspects are:

- **Entrances**—a household's first paid engagement becomes a new database file, and thus is called a "new-to-file" patron.
- **Exits**—mark the end of a patron's paid transactions during the study period; patrons exit the database and represent attrition or loss of paid engagement.
- **Lapse and reactivation** are separate behaviors that are linked; a patron household ceases paid transaction and then resumes paid patronage during the study period.
- **Retention** occurs when a household's paid patronage continues year-to-year and over the study period.

Scope of Study

For this study, analysis was developed from patron history data of 517,677 individual households that had 1,644,781 paid transactions with 17 organizations. Households in the study represented about one-third of all unique households in the Cultural Alliance List Co-op, and thus provided TRG with a robust sample size. Study participants included nine performing arts organizations and eight museum / cultural groups. To streamline terminology, TRG refers to this latter group as "museum organizations." A list of the 17 participating organizations appears on page 14 of this report.

Study Parameters

Each organization provided transactional data for five seasons, beginning with 2003–04 and ending with 2007–08, the most recently completed full season. The five-year study period provided TRG with the necessary basis for observing migratory patron behavior patterns. The first year (2003–04) became the starting point from which behavior was tracked. The second year (2004–05) was the first opportunity to observe new-to-file behavior and measurable migratory patterns. Over the next three consecutive years, patron behavior patterns emerged and could be tracked and studied.

Participating organizations supplied all the transactional data they had for this five-year period. Among all participating organizations there were four basic types of paid transactions; TRG refers to these transactional groupings as buyer types:

- **Single admissions**—This is the basic unit of paid patronage; it can be a single seat for a performance, a single admission to a museum or cultural attraction, a single class or other activity for which the organization charges an admission fee.
Note: Among museum organizations, two provided information on single admissions. Six of the eight museum organizations do not collect patron contact information on single admissions, and therefore could not provide data for this segment of analysis, including single admission information for at least one blockbuster exhibit during the study period. Even so, TRG studied more than 200,000 households with museum organization single paid admissions over the study period—a sound sample for analysis purposes.
- **Subscription**—purchase of season tickets or a series of tickets. The performing organizations generally offer subscriptions; the museum organizations do not.
- **Members**—are patrons who have made a contribution that entitles the patron to certain benefits such as discounts on admissions, recognition, or access to the art or artists. Membership combines purchase behavior with philanthropy.
- **Donations**—a gift or contribution that, most often, is purely philanthropic rather than "purchase" behavior.

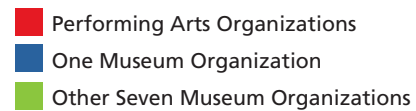
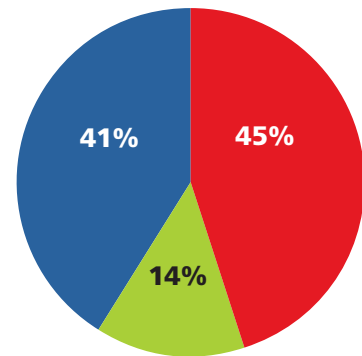
Paid Patronage Summary

In this study sample, performing arts organizations represented 45% of all paid transactions. One museum organization alone accounted for 41% of all paid transactions over the period, with 14% taking place at the other seven museums. This was one of several facts that pointed to the drawing power of major museums that present special exhibits and attractions.

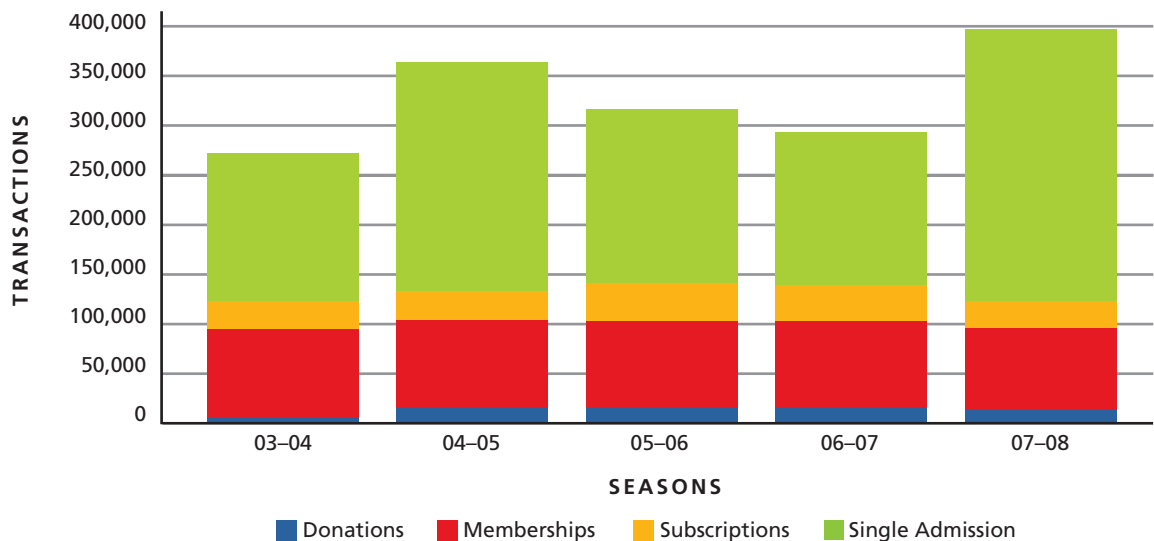
Types of Transactions

In the data analysis, the study team examined paid transactions by buyer type. Single paid admissions represented the majority of all transactions—58% over the study period. This is consistent with patron behavior within organizations and the community as a whole—both in this study and others TRG has done over the years.

% OF TRANSACTIONS IN STUDY SAMPLE



TRANSACTIONS BY BUYER TYPE



The five-year transaction history showed:

- Single admissions surged and ebbed with dramatic ups and downs over the study period; a 28% decline between 04–05 and 05–06 and a 51% increase between the fourth and fifth season of the study period. In this study, peaks and valleys followed museum organizations, as their attractions drove overall single admission as well as total numbers of paid patronage transactions in the community.*
- During the study period, 2007–08 was the peak season for paid transactions, followed very closely by the

2004–05 season. In each of those two seasons, major exhibits were hosted by one large museum organization in the study. In 2007–08, that museum hosted two special exhibits that had very high paid attendance; the same museum had one exhibit in 2004–05 that set a ten-year peak paid attendance record.*

- An examination of the other buyer types show that while there were high and low individual seasons for subscriptions, donations, and membership, these forms of paid engagement remained at comparatively stable levels over the study period.

*Paid patronage for the museum exhibits cited here were, for the purposes of this study, examined only as an over-arching factor in the community level. Future research should study the migratory and other patron behavior patterns of patrons for major “blockbuster” events, as suggested in the note on page 8.

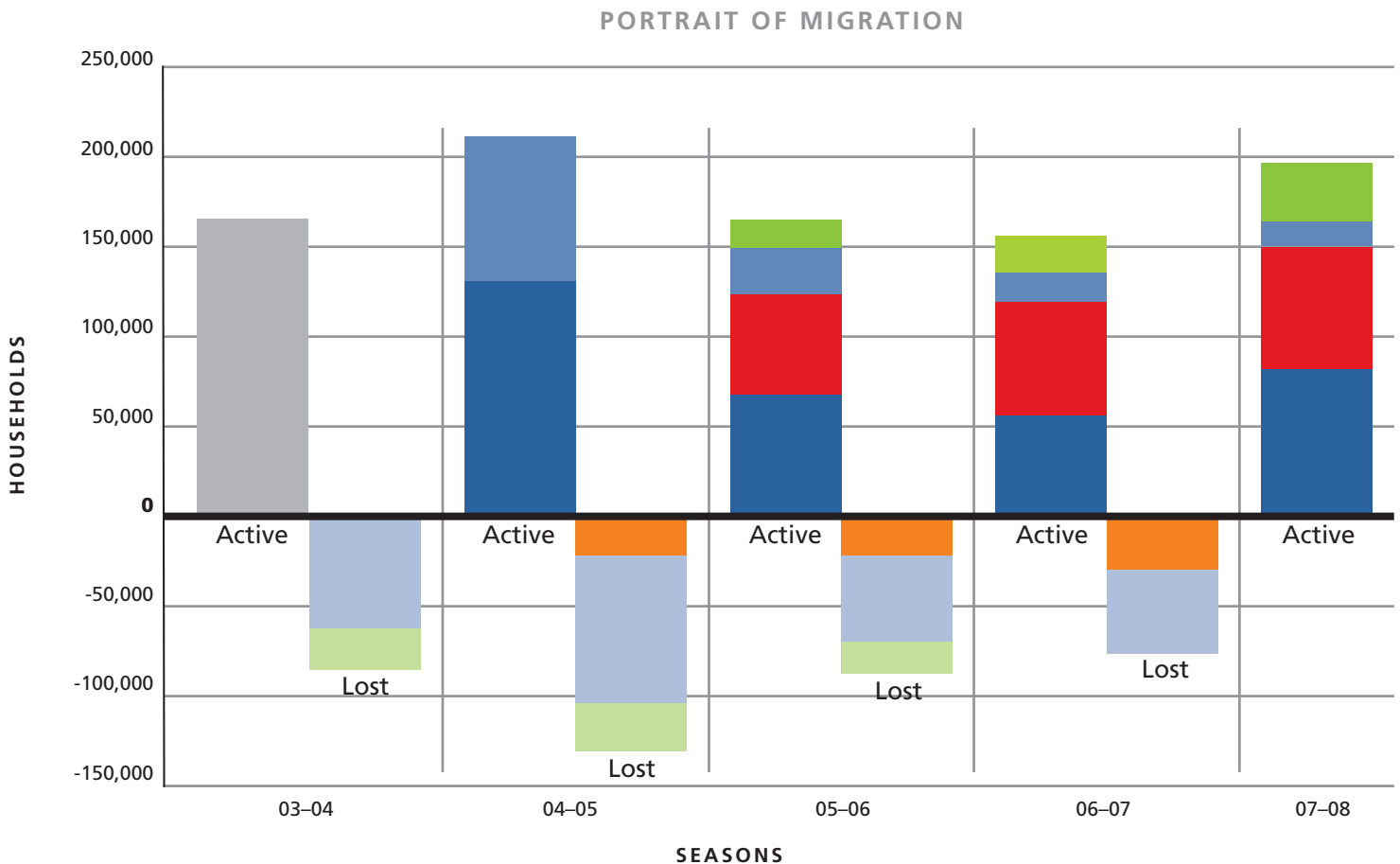
Major Findings on Migratory Behavior

Portrait of Migration

The study team charted patron behavior patterns of households over five years. The team observed the effect of households' entrances (new-to-file), exits (attrition), lapse and return as well as households that were retained year-to-year. Households that were active during any season are charted here as bars above zero; households that went

inactive through various forms of attrition are shown as bars below zero. Complete cycles of activity and attrition appear side-by-side for each season except 2007–08; loss of activity for this recently-completed season is not yet known.

This analysis measures patronage migration into and out of the community as a whole.



Major Migratory Factors

New households entered the Philadelphia paid patronage community in large numbers over the study period, and exited in large numbers the following year. Rates of attrition outpaced rates of retention. The ebb and flow of lapsed paid patronage that reactivated during the study period further challenged community-wide patronage retention.

Attrition

Finding high rates of attrition from *individual* organizations is commonplace and well-documented in TRG's patron behavior studies as well as other industry research in recent years. An issue of particular interest in this study was whether attrition would be different when studying an entire community. One theory was that the robust arts and cultural offerings in Philadelphia would provide options that keep households active within the community if not within individual organizations. However, an important observation of the migratory pattern was:

Attrition from individual organizations also was a loss of paid patronage from all organizations in the **entire community**.

The greatest patronage losses community-wide came from new-to-file patrons. The number of new-to-file patrons peaked in some years, fell in others, and ultimately grew by 21% from first to final year of the study. The rate of exit among new-to-file households was consistently high year-to-year: 64% in 2004–05, 68% in 2005–06, and 78% in 06–07.

The community's overall attrition rate among new-to-file households was 68%

Whether new-to-file patrons had transactions in record numbers during their first year or in relatively small numbers, two out of every three had no paid activity anywhere in the community during the subsequent year.

The compounded losses from attrition are significant, considering the effort and financial resources invested in acquiring new patrons; Attrition means the loss of patron attendance, revenue, and ongoing relationship.

Attrition among households that were active in two or more previous years was much lower than new-to-file household loss but still contributed to the high rate of overall paid patronage loss.

Throughout the study period, households whose paid patronage lapsed for one or more years and then reactivated at some point also deepened attrition. Lapsed paid patronage was especially evident in 2004–05 when peak activity including high levels of new-to-file paid patronage occurred.

Note: Factors such as programming influenced the number of new patrons each year. For instance, major exhibits attracted large numbers of new-to-file patrons—including tourists and customers from beyond the Philadelphia region. Observations on the effect of programming and geographic factors fell outside the scope of this study and its objective to examine over-arching community-level paid patronage behavior. Further study would offer beneficial insights on how different segments of patrons behave, transact, and invest with the community and its organizations.

Retention

Overall, the retention rate among new-to-file households was 32%. Year-to-year retention rates reached a high of 36% in 2004–05 and a low of 22% in 2006–07.

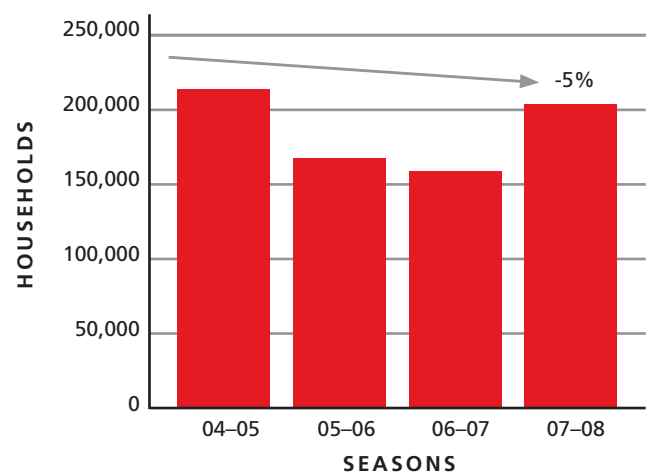
Among *existing* patrons—that is, households with paid patronage activity for more than one year—retention was more evident. This existing segment was small compared to new-to-file patronage but it grew steadily for a total increase of 16% over the measurable study period.

Reactivation of households that had previously lapsed occurred in largest numbers during 2007–08, a season that had the largest numbers of paid patronage transactions of the study period.

Effect of Migration on Paid Patronage Growth

With attrition outpacing retention community-wide, the number of households active in paid engagement dipped and rebounded from the first to final measurable season. The net effect overall was a 5% decline in the number of households active in paid patronage.

TOTAL PAID HOUSEHOLDS BY YEAR



Migratory Behavior Types

Three Groups

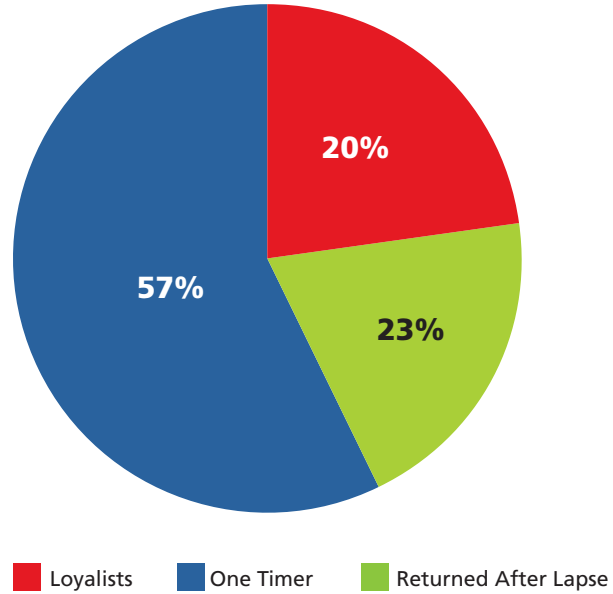
An examination of migratory attributes at the household level found three dominant behavior patterns. In all, 85% of the 517,677 households studied fit into one of these three groups.

The most prevalent behavior pattern, **One-Timers**, began paid patronage one year and exited the next. These households were the key contributors to community-wide attrition.

Households that Returned After Lapse exited for one year or more and then resumed paid patronage during the study period. This group had active paid patronage but only after contributing short-term to the community's attrition.

Loyalists had paid transactions in three or more years of the study period. This smallest of the three groups was the key contributor to community-wide retention.

MIGRATORY BEHAVIOR GROUPS

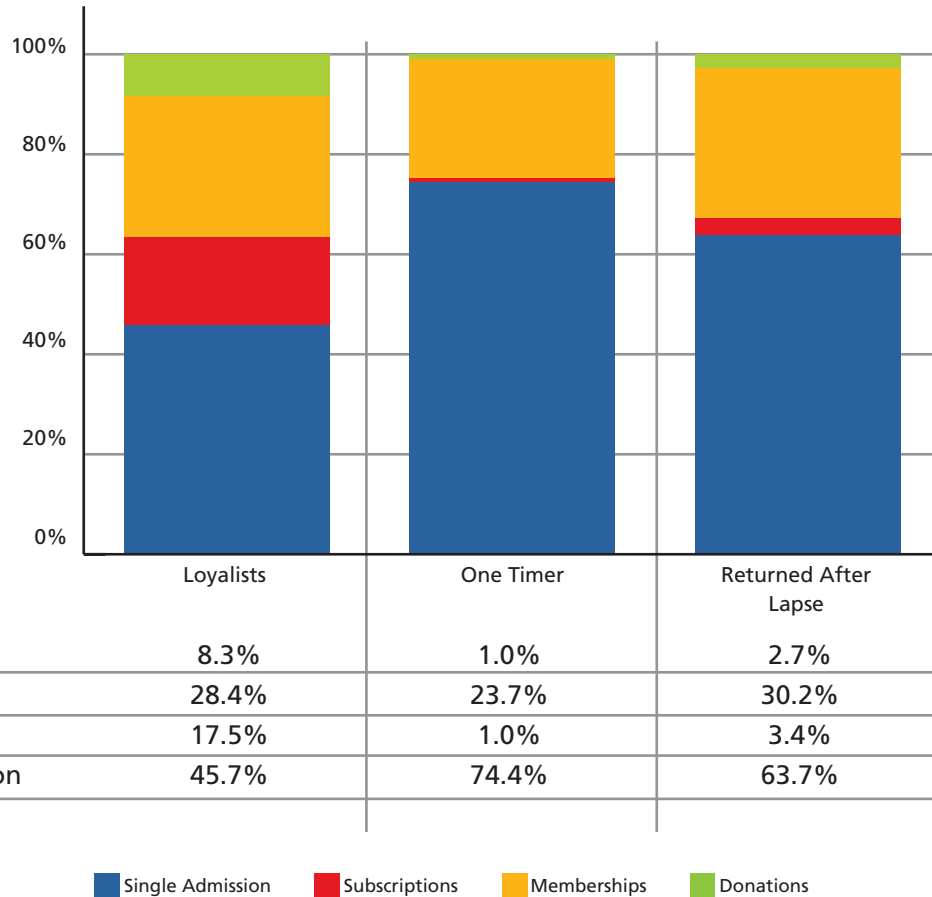


Investment Patterns

The nature and frequency of each group's paid patronage provides additional insights on migratory behavior, especially behavior that contributes to attrition and retention. Single admission purchases became a defining metric

among the three groups. The greater the proportion of single admission transactions to other transactions or buyer types, the lower the period of activity or retention. The types of transactions that characterized each group are detailed in the chart below.

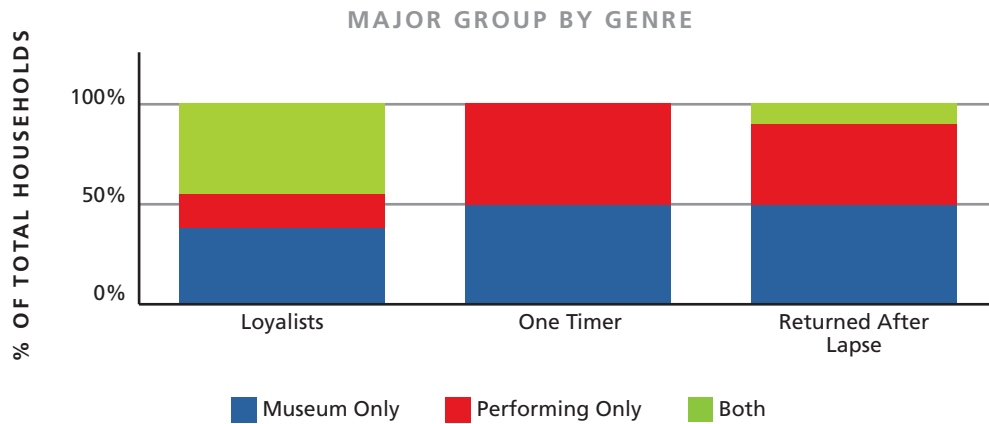
MAJOR BEHAVIOR GROUP % OF PAID TRANSACTIONS



- Loyalist behavior was a mix of investments that tend to sustain organizations. The level of single admissions was lowest among this group.
- One-Timers were predominantly single admission buyers or one-time members. Very few made a one-time donation or subscription purchase.

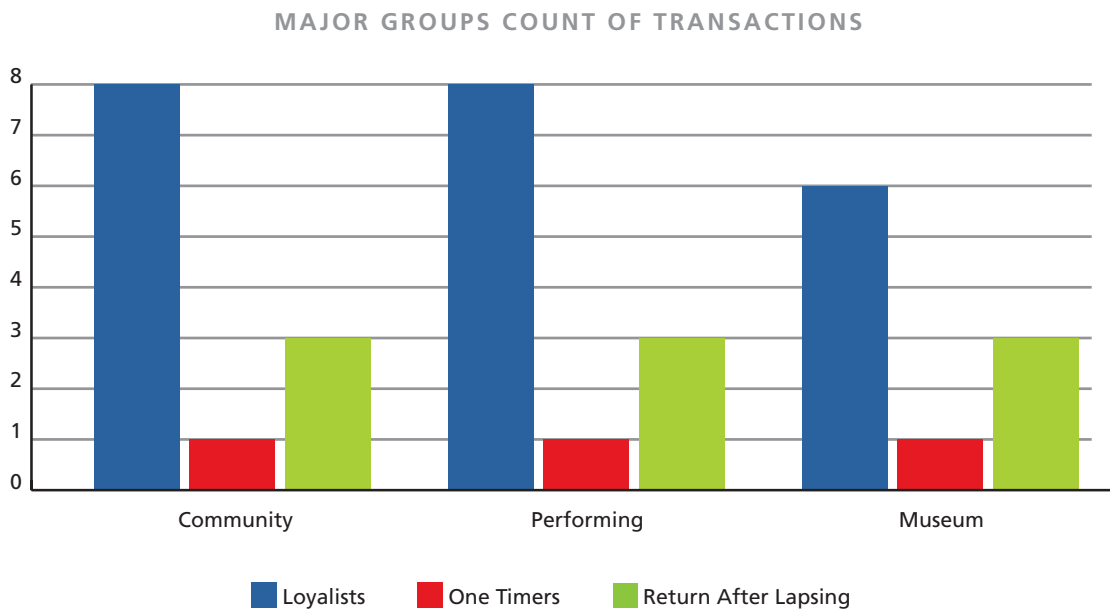
- Those who reactivated paid patronage after a lapse of at least a year were most likely to return as a single admission buyer. Membership also brought these patrons back into the community of paid engagement.

The study team looked at how each group invested in arts and culture genres—performing arts, museum organizations or both.



- Loyalists were most likely to patronize both genres; 41% had paid transactions with performing and museum organizations.
- One-Timers were evenly split between performing and museum organizations.
- Those who Returned After Lapsing were more likely to come back to a museum organization, although 14% had paid transactions with both over the study period.

The study also examined the number of transactions that households in each group made over the study period. Average number of transactions per household were detailed for the community overall and each genre. Frequency of transaction was highest among Loyalists.



Demographic Attributes

Households in each of the three prominent migratory behavior groups are well-educated mature adults with high household income. The degree of variance in these defining demographic attributes also can be seen as contrasting life-stages of each of the three behavior groups.

Loyalists are affluent, well-educated households with fewer life-stage barriers than members of the other two groups. They have the highest levels of income and education—50% with income of \$90,000 or more; 78% have earned college or graduate school degrees. Half are 60 years old or older. Most—75%—still have children 18 or younger living in the household. However, of the three groups, presence of children, especially young children, was less prevalent among Loyalists. This group is a key contributor to community-wide retention. They are predominantly older Baby Boomers who have reached a life stage that seeks broader horizons; they are more likely to have the time and money to invest in arts and culture. By 2020, however, their age may diminish their ability to have an impact on paid patronage.

The **Return After Lapsing** group may be regarded as the loyalists' younger siblings. Like Loyalists, this group is very well educated with high levels of household income (47% earn \$90,000 or more) and they are slightly younger, with median age in the mid-50s. They are more likely to have children living at home (83%). As their come-and-go investment behavior indicates, their life stage is one that allows less devotion to consistent or ongoing paid patronage. Without cultivation and encouragement, this group's continued patronage likely is at-risk of still being active by 2020.

The **One-Timers** are the youngest of the three groups with median age levels in the early 50s. Their income and education levels are slightly lower than those in the other two groups—39% earn \$90,000 or more; 64% earned college degree or higher. More One-Timers have children present (86%) and they are, in relative terms, more racially diverse (10% are African-American or Hispanic). This group is the main contributor to patronage attrition. They are the largest group and have the longest potential life span for paid patronage. By 2020, this group will be at the life stage of current Loyalists. **Given the one-time nature of their current patterns, their future involvement requires cultivation and serious retention efforts.**

Paid Patronage Geography

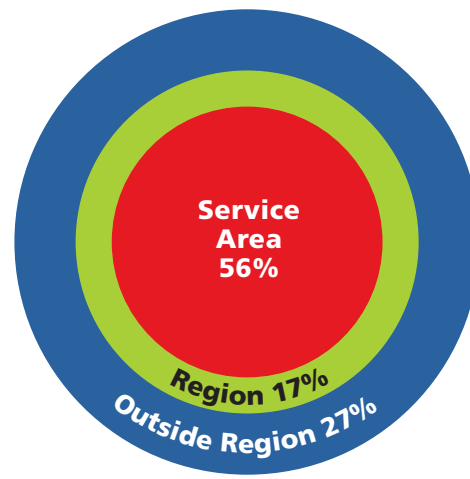
Where they Live

Patron households were mapped based on zip code of residence:

56% live within the Cultural Alliance five-county service area that includes Bucks, Chester, Delaware, Montgomery, and Philadelphia counties.

Another 17% live outside the five counties and within a 40-mile radius of downtown—roughly an hour’s drive time to center city.

Another 27% came to the community from outside the region.



Geography by Genre

Over the five-year study period, most households from outside the region paid to attend museum organization activities.

Genre	Service Area	Region	Outside Region
Performing Arts Organizations	64%	17%	19%
Museum Organizations	54%	16%	30%

Outside-the-region attendance peaked in the 2004–05 and 2007–08, the two seasons of greatest paid transactions.

More Patron Information

The statistical appendices that supplement this report provide additional geographic detail as well as demographic profiles (household match reports) for each genre of study, each of the three regions analyzed, and each of the three prominent migratory behavior groups.

Participating Organizations

Performing Arts Organizations

Annenberg Center for the Performing Arts
Arden Theatre Company
The Curtis Institute of Music
The Mann Center for the Performing Arts
Opera Company of Philadelphia
Painted Bride Art Center
Pennsylvania Ballet
Philadelphia Live Arts Festival and Philly Fringe
The Philadelphia Orchestra

Museum and Cultural Organizations

Abington Art Center
The Franklin Institute
Independence Seaport Museum
Longwood Gardens
National Museum of American Jewish History
Philadelphia Museum of Art
Please Touch Museum
University of Pennsylvania Museum of Archaeology and Anthropology

Statistical Appendices

TRG has provided in a separate set of electronic files (Excel format) the following detailed statistical reports.

Vital Statistics

Number of households and transactions by organization and genre

- Transaction Summary
- Household activity by year and genre
- Transaction type by year

Major Groups

Three migratory behavior patterns: One-timers, Lapse and Return, Loyalists

- Purchase analysis by year
- Average number of transactions over study period
- Grouped by genre

Demographic Profiles

Separate Excel workbooks are provided for each of these reports:

- Genres (performing arts organizations or museum / cultural organizations)
- Geographic areas (service area, region, outside of region)
- Major behavior groups (One-timers, Lapse and Return, Loyalists)

Migration

- Summary of community migration
- Detail by organization

Geography

Distribution of households, transactions and buyer types

- Overall five-year distribution of households by organization by area
- Service area (5-counties) household distribution by organization
- Service area household distribution by year by organization
- Region (40-mile radius of center city) household distribution by year by organization
- Outside region (beyond 40-mile radius) household distribution by year, by organization
- Overall five-year distribution of transactions by area
- Overall five-year distribution of transactions by buyer type by year
- Overall five-year distribution of households by buyer type by year
- Service area transaction distribution by buyer type by year
- Service area household distribution by buyer type by year
- Region transaction distribution by buyer type by year
- Region household distribution by buyer type by year
- Outside region transaction distribution by buyer type by year
- Outside region household distribution by buyer type by year

About TRG

TRG is a data-driven consulting and database service firm that also serves as manager of the Greater Philadelphia Cultural Alliance List Co-op.

Since its founding in 1995, TRG has helped arts and culture organizations grow larger sustainable audiences and revenue. The firm's clients span North America and the industry—orchestras, performing arts centers, communities, festivals, museums, as well as dance, opera, theater, and choral companies in the United States and Canada.

In its ongoing research and data analysis work, TRG observes behavior of some 20 million North American arts and culture consumers and some 40 million individual transactions. Patterns that emerge provide insights on and understanding of patron behavior and market demand.



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