The Business of Museums

Robert Mac West
Informal Learning Experiences
Washington, DC

Informal Learning Experiences, Inc.

Data Sources

- ASTC Sourcebook of Science Center Statistics 2001, 2004 & 2005
- AAM 2003 Museum Financial Information
- ILE Traveling Exhibition Database
- ILE Traveling Exhibition Surveys

Current Museum Budgeting

- Current business model – “industrial”
- 20th Century philosophy
  - Assembly line productivity
  - One size fits all
  - Success measured quantitatively
  - Measure total attendance and total net income
  - Assume continuous growth
- Assume secure niche & little competition

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Regular Measures

- Cost per Visitor
- Earned Revenue per Visitor
- Income Raised per Visitor
- Expenses per Square Foot
- Efficiency

Measures of Efficiency

- On-site visits per interior exhibit square foot
- Operating expenses per on-site visit
- On-site visits per FTE employee
- Operating expenses per interior exhibit square foot
- Earned revenue per on-site visit

Trends (per AAM)

- Increase in operating expenses
- Decrease in non-operating incomes of the largest museums
- Increase in median size of involuntary deficits
- Decrease in the size of operating surpluses
- Insignificant increase in attendance

Budget Outcomes

	Deficit	Balanced	Surplus	No Response
AAM 2000	26.5%	9.9%	48.1%	15.4%
AAM 2001	31.8%	10.0%	47.4%	10.7%
AAM 2002	28.2%	17.6%	37.6%	16.5%
ASTC 2004	28.3%	9.8%	61.8%	
ASTC 2005	30.5%	8.4%	61.1%	

Additional Revenue Sources – Existing Audience

- Museum store; satellite retail
- Theater – large-format, planetarium, film/video
- Facility rentals
- Birthday parties
- Food service
- Special events
- Audio guides
- Back of house tours
- Temporary/traveling exhibits
- Internal upcharges
- Program fees
- Program material sales
- Simulator
- Online retail
- Lecture series
- Science cafes
- Lease internal space
- Donation box

Grow the Audience

- Expand facility
- Renew/renovate facility
- Modernize exhibits; more interactivity
- "Blockbuster" traveling exhibitions
- Issue of sustainability

Rethink the Museum

Now the knowledge/experience age with new expectations for personalization

Falk, John H. and Beverly K. Sheppard, 2006, Thriving in the Knowledge Age. AltaMira Press, 264pp.

Falk, John H., 2006, *Developing a New Business Model for Science Centers*, pp. 269-276 in Yao, Cynthia C., et al., Handbook for Small Science Centers, AltaMira Press, 310pp.

West, Robert M. and David E. Chesebrough, 2007, *New Ways of Museums Doing Business* in Falk, John H. et al., In Principle In Practice, Alta Mira Press

The Engagement Model

- Personalized experiences
- Deeper, guest-directed experiences
- Access to unique experiences, people, objects, technology
- Connected and responsive
- New measure(s) of success

Experiments

- Explora, Albuquerque, NM
- Buffalo Museum of Science, NY
- Ontario Science Center
- Pittsburgh Children's Museum

Membership

- Current motivation
  - Cost calculation(s)
  - Best users pay least
- Look at other models
  - Frequent flier/stayer/renter/user programs
- Annual passes

Look Outside Museums

- Libraries
- Independent bookstores
- Grocery stores – Wegman's, Whole Foods
- Starbucks, Caribou Coffee
- Megachurches
- Community Art Centers
- Health Clubs

Traveling Exhibitions

- First King Tut started the concept
  - British Museum – 1,700,000 in 9 months, 1972
  - National Gallery – 836,000 in 117 days, 1976
  - 7 cities in US – 8,000,000 in 3 years, 1976-9
- Now a true "industry"
  - Producers
  - Consumers
  - Marketers

Impacts on Museums

- Dedicated spaces for temporary exhibitions
- Access to interior spaces
- More sophisticated marketing and sales
- Topical programming
- Budget restructuring
- Sponsorships, private and government
- Upcharges

Changes in Museums

- Awareness of visitor expectations
- Revenue sources
- Marketing
- Focus of internal and external attention
- Importance of repeat visitation
- Impact of technology

Institutional Expectations

- Increase attendance and revenue
- Stimulate more frequent visits
- Diversify the audience
- Attract (new) sponsors
- Provide new and different content and experiences, thus reason for visit

Institutional Issues

- Mission relatedness of travelers
- Internal support structure
- Quality of content
- Concern about support/relevance of core
- Real cost allocations
- Audience development
- What is NOT done?
- Consequences of not doing travelers

Audience Expectations

- Museum is different for every visit
- Delivery on marketing message
- Will pay surcharge if it is great
- Will measure against all attractions, not just museums
- Certain topics are attractive

Popular Topics

- Popular culture
- Cultural icons
- Current science
- Child-oriented
- Previously inaccessible materials
- “One-of” items

Current Traveling Exhibitions Categories

- Impressionists, Great Masters, and contemporary artists
- Dinosaurs and other big extinct things
- Famous ancient/exotic/extinct cultures
- "Over the edge" content/presentation
- Popular culture – movies, books, music, current events, "the science behind….."
- Icons of American history

Impact – Additional Attendance
(percentage of average daily attendance)

Exhibition	Museum A	Museum B
French Masterworks from the Pushkin	157%	43%
Leonardo da Vinci/Splendors of Poland	170%	106%
Aliens	126%	75%
Chocolate	117%	33%
Bog People	101%	34%
Busytown	107%	64%

Variables

- Competition from other local/regional museums
- Time of year
- Marketing budget
- Physical arrangement of the museum
- Own reliance on local vs. traveling
- History of traveling exhibitions – audience expectations
- The community (New York vs. "East Overshoe"

Predictability

Any particular traveling exhibition will do better in a large city, at a respected museum, at a good time of the year, with a large marketing budget, and little local competition, than in a smaller city, at a second-tier museum, at a bad time of the year, with a small marketing budget, and substantial local competition.

Blockbusters

- Original Tut set the standard
  - only Tut II equals it
- Tut II limited tour in North America 2005-2007 – Los Angeles (Los Angeles Museum of Art), Fort Lauderdale (Fort Lauderdale Art Museum), Chicago (The Field Museum), Philadelphia (Franklin Institute)

Tut II Arrangements

- Managed by AEG (Anschutz) and National Geographic Society
- $5 million fee per city upfront
- Museum recovers overhead costs before any revenue distribution
- Egypt shares retail revenues
- Egypt receives $1 million for every 100,000 attendance over 700,000

Tut II Performance

Location	Dates	Total Attendance	Approx. Weekly Attendance	Tut II %
Los Angeles	6/16/05 - 11/15/05	937,000	44,619	+290%
Ft. Lauderdale	12/15/05 - 4/23/06	707,000	39,277	+2,042%
Chicago	5/26/06 - 1/1/07	770,000+		
Philadelphia	2/3/07 - 9/20/07	300,000+		

ILE Blockbuster Survey

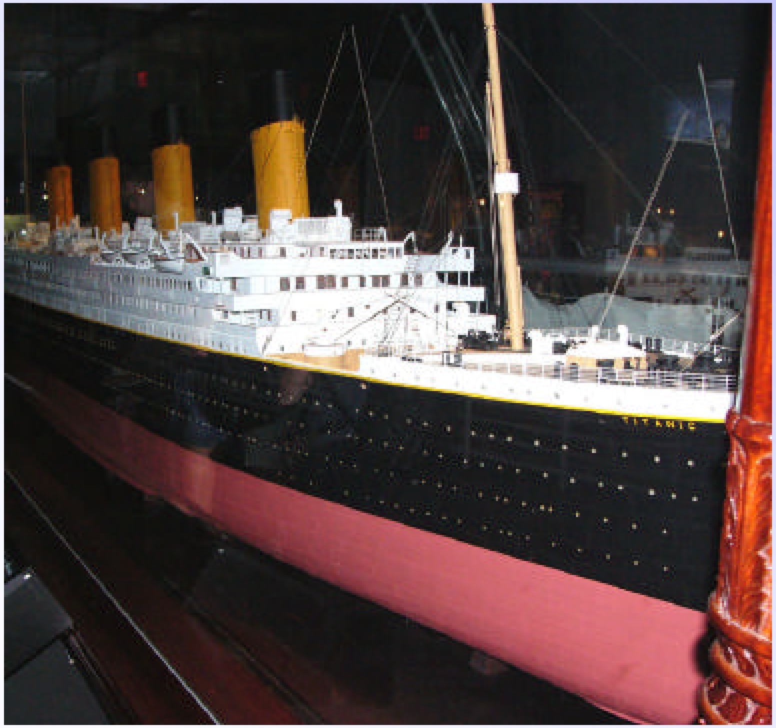
- Assess performance and impacts of current blockbusters
  - Bodies (all versions, all vendors)
  - Titanic, the Artifact Exhibit
  - Lord of the Rings
  - Quest for Immortality

Bodies (Multiple Versions & Vendors)

Body Worlds Performance

Location	Dates	Total Attend.	Approx. Weekly Attend.	Bodies %
Japan	1996-1998	2,945,825		
Mannheim	10/30/97 - 3/1/98	774,440	48,202	
Vienna	4/30/1999 - 8/30/99	543,180	27,159	
Basel	9/4/99 - 1/5/00	597,179	29,859	
Cologne	2/8/00 - 7/31/00	1,062,483	53,124	
Oberhausen	8/5/00 - 1/28/01	687,864	28,661	
Berlin	2/10/01 - 9/2/01	1,390,073	49,645	
Brussels	9/22/2001 - 3/3/02	505,747	24,315	
London	3/23/02 - 2/9/03	840,611	17,885	
Seoul	4/17/02 - 3/2/03	2,039,136	45,314	
Stuttgart	3/11/03 - 3/19/03	106,393	106,393	
Munich	2/22/03 - 8/17/03	860,382	34,415	
Pusan	3/11/03 - 9/21/03	1,117,769	39,920	
Hamburg	8/30/03 - 1/4/04	491,833	27,324	
Singapore	11/9/03 - 3/21/04	306,710	16,143	
Frankfurt	1/16/04 - 6/13/04	540,034	25,716	
Taipei	4/21/04 - 10/24/04	632,560	24,329	
Kaohsiung	11/3/04 - 12/12/04	53,186	8,864	
Los Angeles	7/2/04 - 3/27/05	930,106	24,476	+6.1%
Chicago	2/4/05 - 9/5/05	799,394	26,646	+3.1%
Cleveland	4/9/05 - 9/18/05	266,918	11,605	+57.1%
Philadelphia	10/7/05 - 4/23/06	602,932	21,533	+8.9%
Toronto	9/30/05 - 2/26/06	472,090	22,480	+15.5%
Denver	3/10/06 - 7/23/06	602,932	30,146	+30.6%

Titanic



Lord of the Rings

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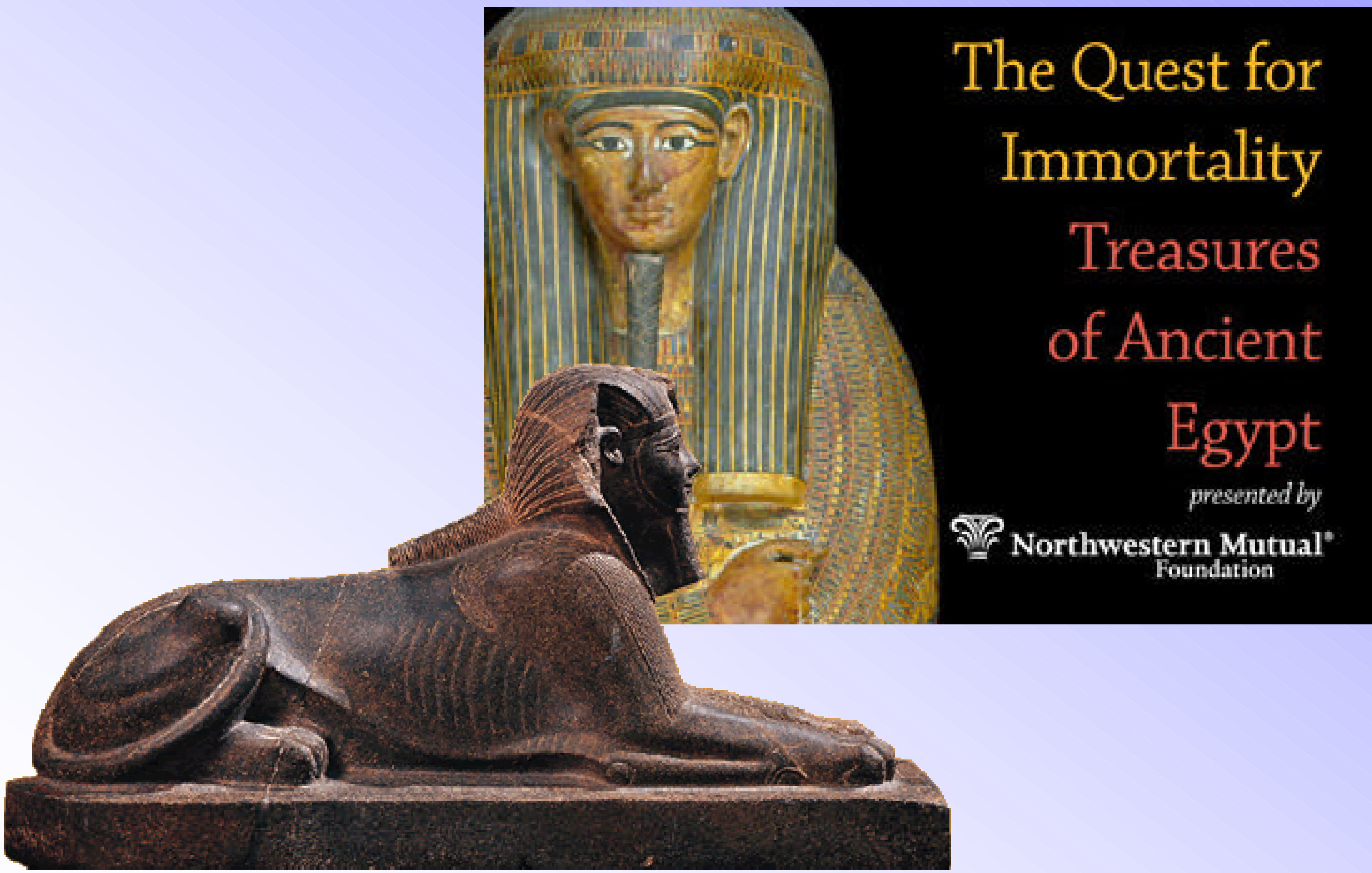
Quest for Immortality



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Blockbuster Performance

- Exhibition upcharge
  - Under $5 – 4%
  - $5-$10 – 43%
  - $10-$15 – 48%
  - Over $20 – 4%
- Added members – 86%
- Kept them – 32%
- Sponsorships
  - Met expectations – 29%
  - Below expectations – 62%
  - Exceeded expectations – 8%

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Blockbuster Performance

- Attendance
  - Met expectations – 19%
  - Below expectations – 19%
  - Exceeded expectations – 62%
- Revenue
  - Met expectations – 40%
  - Below expectations – 15%
  - Exceeded expectations – 45%
- Net Profit?
  - Yes – 90%
  - No – 5%
  - Break even – 5%
- Will continue blockbusters
  - Annually – 26%
  - Every other year – 43%
  - Every 3-5 years - 30%

Blockbuster Costs

- Additional staffing – reception/ticketing, security, maintenance/housekeeping
- Additional open hours – utilities, etc
- Complex ticketing
- Exhibition enhancement
- Additional insurance
- Marketing

Blockbuster Benefits

- Presence and reputation
- Opportunities for new audiences, members, sponsors/donors
- Profit; can support other programming
- Staff capabilities and confidence

Blockbuster Concerns

- Too few, too unpredictable
- Mission relevance of topics
- Temporary boost, not sustainable
- Excessive audience expectations
- Must maintain non-blockbuster attendance
- Can't be too frequent
- Complex negotiations and contracts