COLLABORATIVE MARKETING DATABASE
Marketing and Audience Development Project

Community Report on Arts and Culture Consumers

2011-2012 Member Organizations

- Beck Center for the Arts

- Cleveland Botanical Garden

- Cleveland Museum of Art

- The Cleveland Orchestra

- The Cleveland Play House

- DANCECleveland

- Great Lakes Science Center

- Great Lakes Theater

- The Music Settlement

- PlayhouseSquare

A word about predictive models

What they are and how they're used

- A model is a statistically derived equation

- A model is used strategically and tactically
  - Gain insight about your buyers, customers, and prospects
  - Select and target your best prospect households

Types of models

- Market models
  - What characteristics distinguish your customers from other households in the market?
  - Provides
    - Demographic and lifestyle insight
    - A way to target households without arts buying history
- Cross sell models
  - Based on buying behavior; think Amazon or NetFlix
  - Provides
    - Behavioral insight
    - A way to target known arts and culture buyers more effectively
- Behavior trumps demographics

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CMD data overview

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Data sources

Arts and culture buying

- Household data
  - 1.04 million accounts contributed by CMD participants.
  - Data standardized, cleaned, processed through NCOA.*
  - Yields 580k promotable households.
- Transaction data
  - 3.0 million records representing $480 million in purchasing.
  - Most complete data from 2004 and later.

Data from Experian

- Experian is one of the largest data compilers in the U.S.
- Random market sample of 25k drawn from Cleveland-Elyria-Mentor OH CBSA
  - Cuyahoga, Lake, Lorain, Medina, and Geauga counties
  - Extensive data set of demographic, lifestyle, and direct response buying variables appended to sample.
- 61k CMD buyers over the past two seasons appended with a similar set of appended demographic and other variables.

*National Change of Address

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Analytical focus

Time frame

- 2004 through 2010
  - 369k promotable households
  - 1.25 million transactions worth $195 million
- Purchase types
  - Classes: 7.9k households (HH)
  - Memberships: 71.0k HH
  - Single tickets: 309.4k HH
  - Subscriptions: 35.4k HH
  - Visitation: 38.9k HH
- "Data leakage" is about 5% but limited visitation data is collected.
  > Data leakage refers to sales that are made to individuals that are not identifiable or reachable. A common examples is walk-up sales.
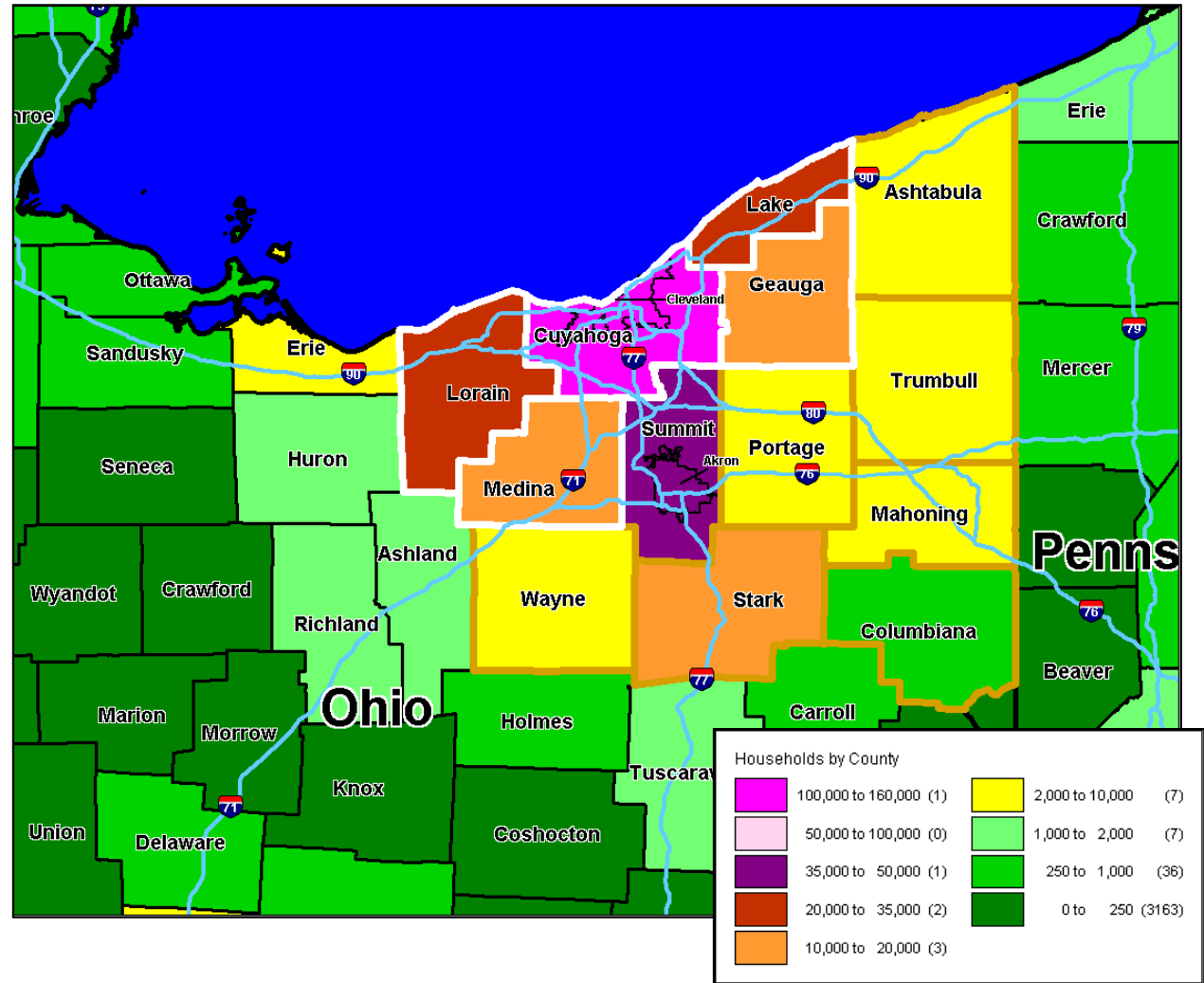
Purchasing and geography

- Purchase scope
  - Purchase types listed
  - Excludes companies, group sales, comps, donations, special fundraising events, parking, unidentified walk-ups.
- Geography
  - Market models: Cleveland-Elyria-Mentor OH CBSA (5 counties)
  - Cross sell models and lifetime value: Northeast Ohio (13 counties)

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Geographic focus

- **NeOH**
  - 303,163 households (82.2%)
  - $178.6 million
- **Out of Area**
  - 65,737 households (17.8%)
  - $16.1 million
- **Primary out of area markets are regional including:**
  - Sandusky
  - Columbus
  - New Philadelphia
  - Pittsburgh
  - Toledo

Households by County
- 100,000 to 160,000 (1)
- 50,000 to 100,000 (0)
- 35,000 to 50,000 (1)
- 20,000 to 35,000 (2)
- 10,000 to 20,000 (3)
- 2,000 to 10,000 (7)
- 1,000 to 2,000 (7)
- 250 to 1,000 (36)
- 0 to 250 (3163)

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Top out-of-area markets

- 40.2% of the $16.1 million out-of-area revenue comes from the top 10 markets
- The top 10 markets are primarily regional markets
- Remainder spread across many other markets

Out of Area Market	HHs	% HHs	Revenue
Sandusky, OH Metropolitan Statistical Area	3,281	5.0%	$1,602,414
Columbus, OH Metropolitan Statistical Area	4,981	7.6%	$1,036,385
New Philadelphia-Dover, OH Micropolitan Statistical Area	1,732	2.6%	$592,670
Pittsburgh, PA Metropolitan Statistical Area	2,712	4.1%	$519,251
Toledo, OH Metropolitan Statistical Area	1,958	3.0%	$505,610
Norwalk, OH Micropolitan Statistical Area	1,428	2.2%	$490,865
New York-Newark-Edison, NY-NJ-PA Metropolitan Statistical Area	2,037	3.1%	$460,613
Chicago-Naperville-Joliet, IL-IN-WI Metropolitan Statistical Area	2,017	3.1%	$429,461
Mansfield, OH Metropolitan Statistical Area	1,431	2.2%	$410,879
Erie, PA Metropolitan Statistical Area	1,753	2.7%	$402,259

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Northeast Ohio market

Buyer concentration and key trends

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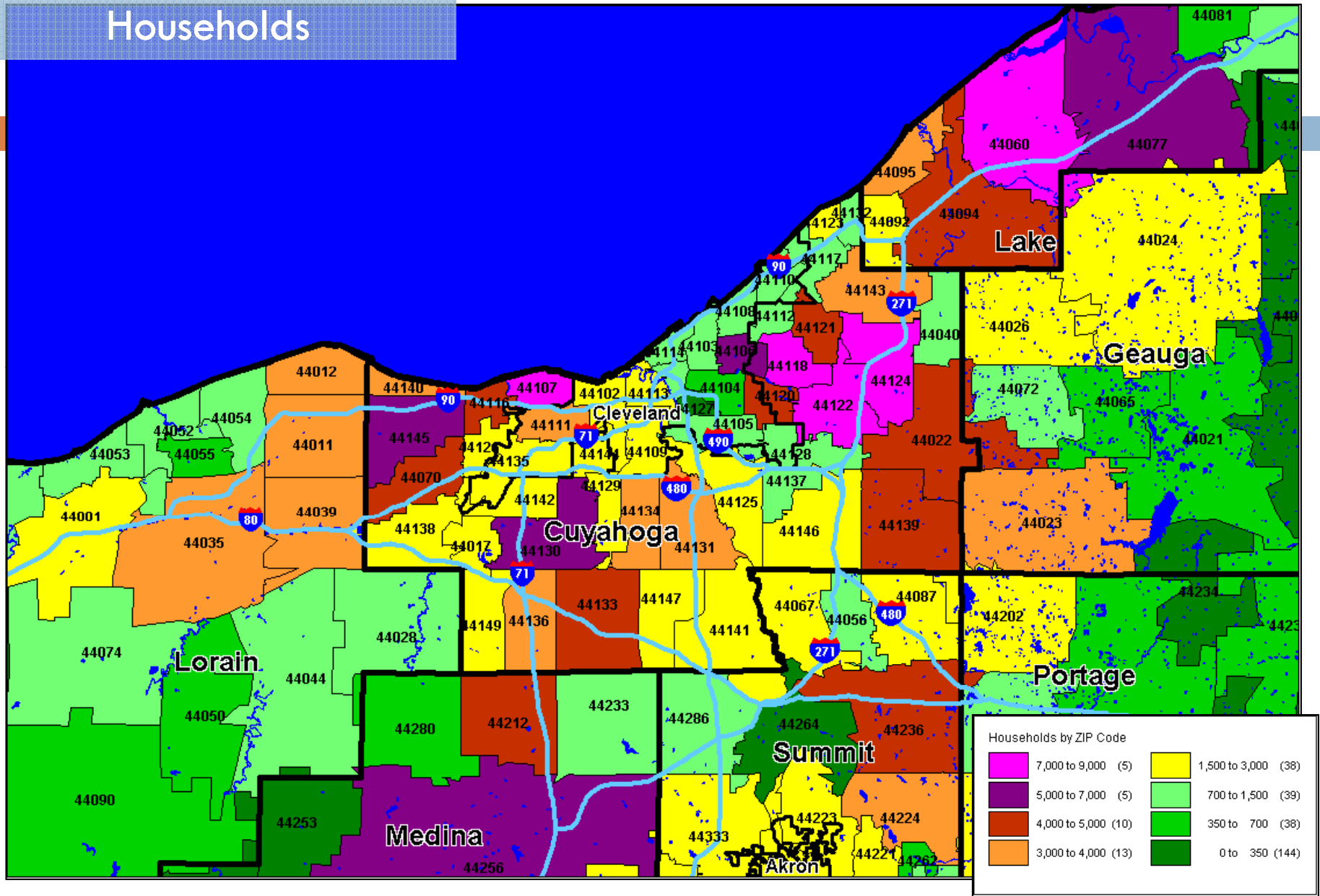
Northeast Ohio buyer concentration

- ☐ Highly concentrated but less than you might expect
- ☐ High degree of organizational cross over
- ☐ Active arts and culture buyers are shared, not owned

Number of Purchases by HH over 7 Years	Number Promotable Households	% of Promotable Households	$ Purchase	% of $ Purchase	Households with 2+ Orgs
1	140,618	46.4%	$17,006,253	9.5%	0.0%
2	56,227	18.5%	$13,800,401	7.7%	23.5%
3 to 5	57,541	19.0%	$27,887,307	15.6%	43.6%
6 to 10	26,503	8.7%	$29,060,134	16.3%	64.2%
11 or more	22,274	7.3%	$90,852,344	50.9%	82.8%
Total	303,163	100.0%	$178,606,440	100.0%	24.3%

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Arts and Culture Buyers Households

Northeast Ohio
Geographic concentration: Top 15 ZIPs

ZIP	Community	Total HH	Buying HH (7-Yr)	% Penetration	Revenue
44122	Beachwood/Shaker Heights	12,923	8,452	65.4%	$12,725,621
44124	Lyndhurst/Mayfield Heights/Pepper Pike	16,978	7,296	43.0%	$7,708,022
44118	Cleveland Heights/University Heights	15,660	8,155	52.1%	$6,886,158
44022	Chagrin Falls/Moreland Hills/Bentleyville	6,315	4,318	68.4%	$6,185,772
44120	Shaker Heights	18,181	4,900	27.0%	$5,459,561
44145	Westlake	12,401	5,923	47.8%	$4,514,797
44107	Lakewood/Edgewater	23,793	8,213	34.5%	$4,503,618
44060	Mentor	25,639	7,593	29.6%	$4,464,611
44139	Solon	7,944	4,444	55.9%	$4,110,849
44106	Cleveland Heights	12,026	5,194	43.2%	$3,878,137
44116	Rocky River	8,826	4,428	50.2%	$3,548,088
44094	Willoughby	15,887	4,731	29.8%	$3,198,959
44121	Cleveland Heights	13,085	4,956	37.9%	$3,172,675
44143	Richmond Heights/Highland Heights/Mayfield	9,720	3,805	39.1%	$3,076,609
44256	Medina	22,416	6,336	28.3%	$3,068,131
Total Top ZIPs		221,794	88,744	40.0%	$76,501,607
Total Northeast Ohio market		1,568,863	303,163	19.3%	$178,606,440
Total ZIPs as a % of Total		14.1%	29.3%		42.8%

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CMD buyer trends
Promotable households, all organizations

- Total unique CMD buying households have shown upward trend with "saw tooth" pattern.

Total Unique CMD Buying Households by Segment
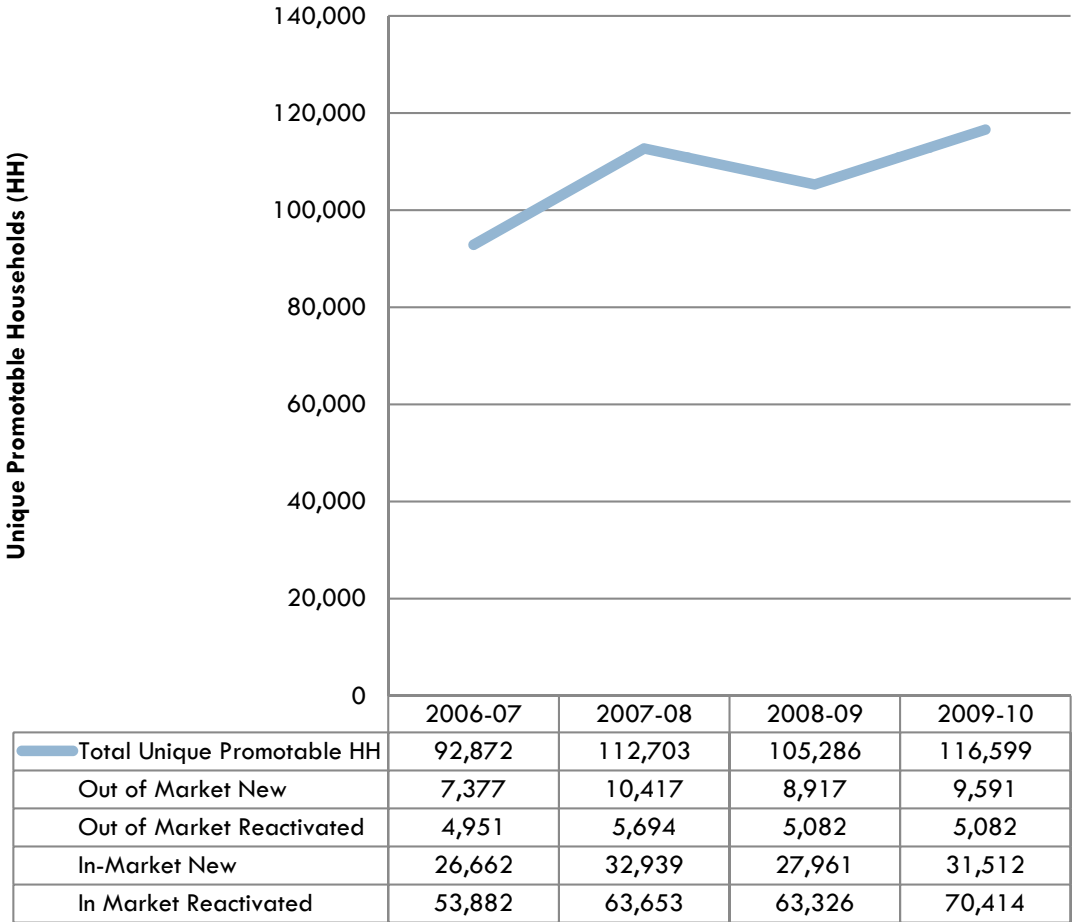
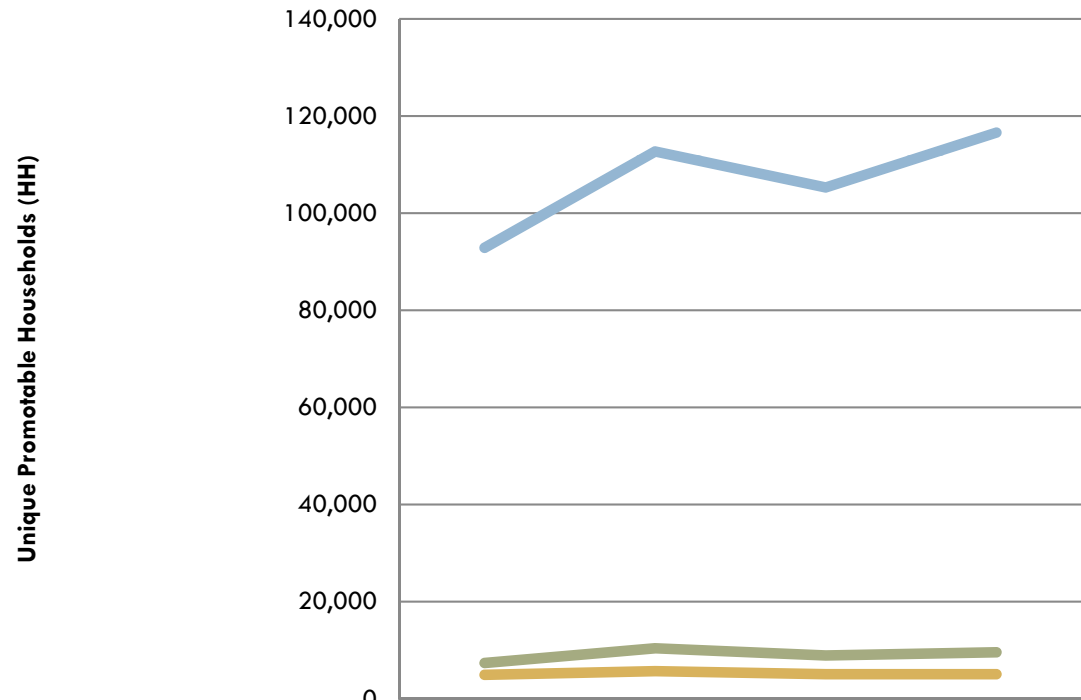|	2006-07	2007-08	2008-09	2009-10
Total Unique Promotable HH	92,872	112,703	105,286	116,599
Out of Market New	7,377	10,417	8,917	9,591
Out of Market Reactivated	4,951	5,694	5,082	5,082
In-Market New	26,662	32,939	27,961	31,512
In Market Reactivated	53,882	63,653	63,326	70,414

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CMD buyer trends
Promotable households, all organizations

- Total unique CMD buying households have shown upward trend with "saw tooth" pattern.

- Out of market

  - New HH up and down, peak in 2007-08; driven by large punctuating events.

  - Reactivated HH flat

Total Unique CMD Buying Households by Segment

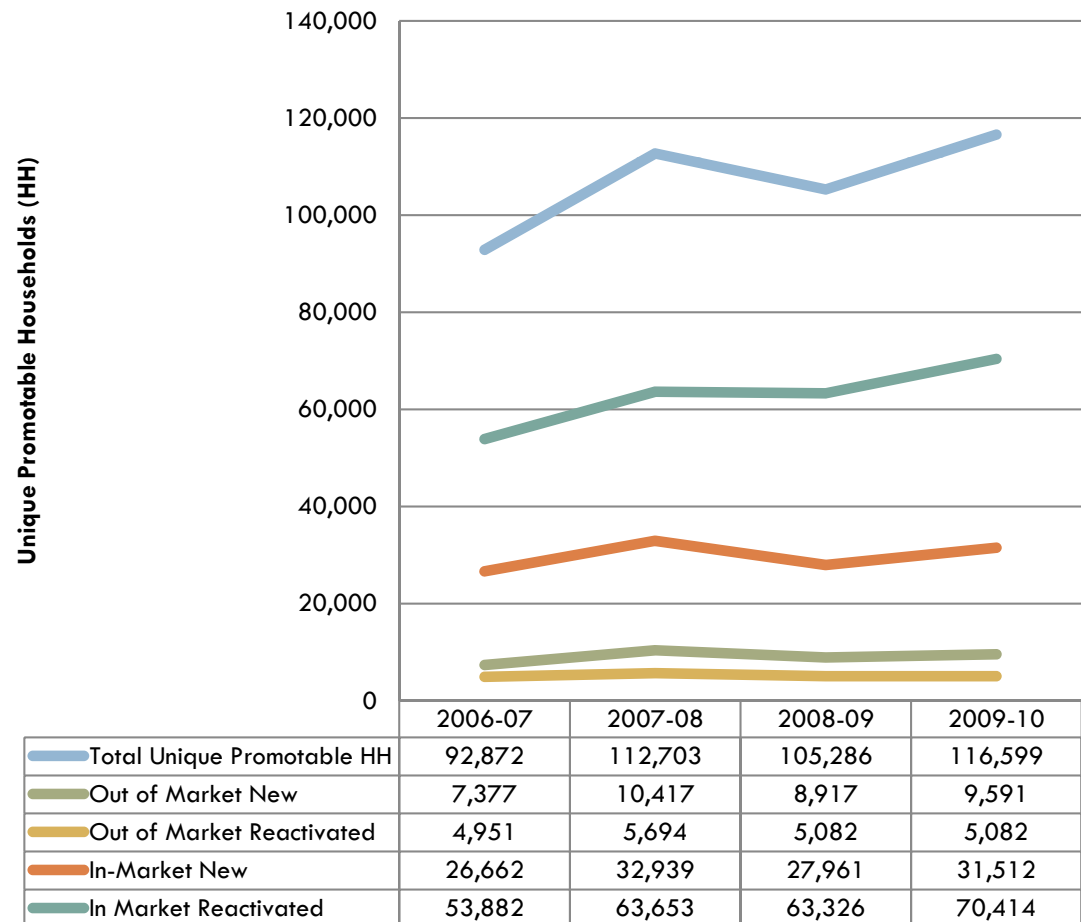|	2006-07	2007-08	2008-09	2009-10
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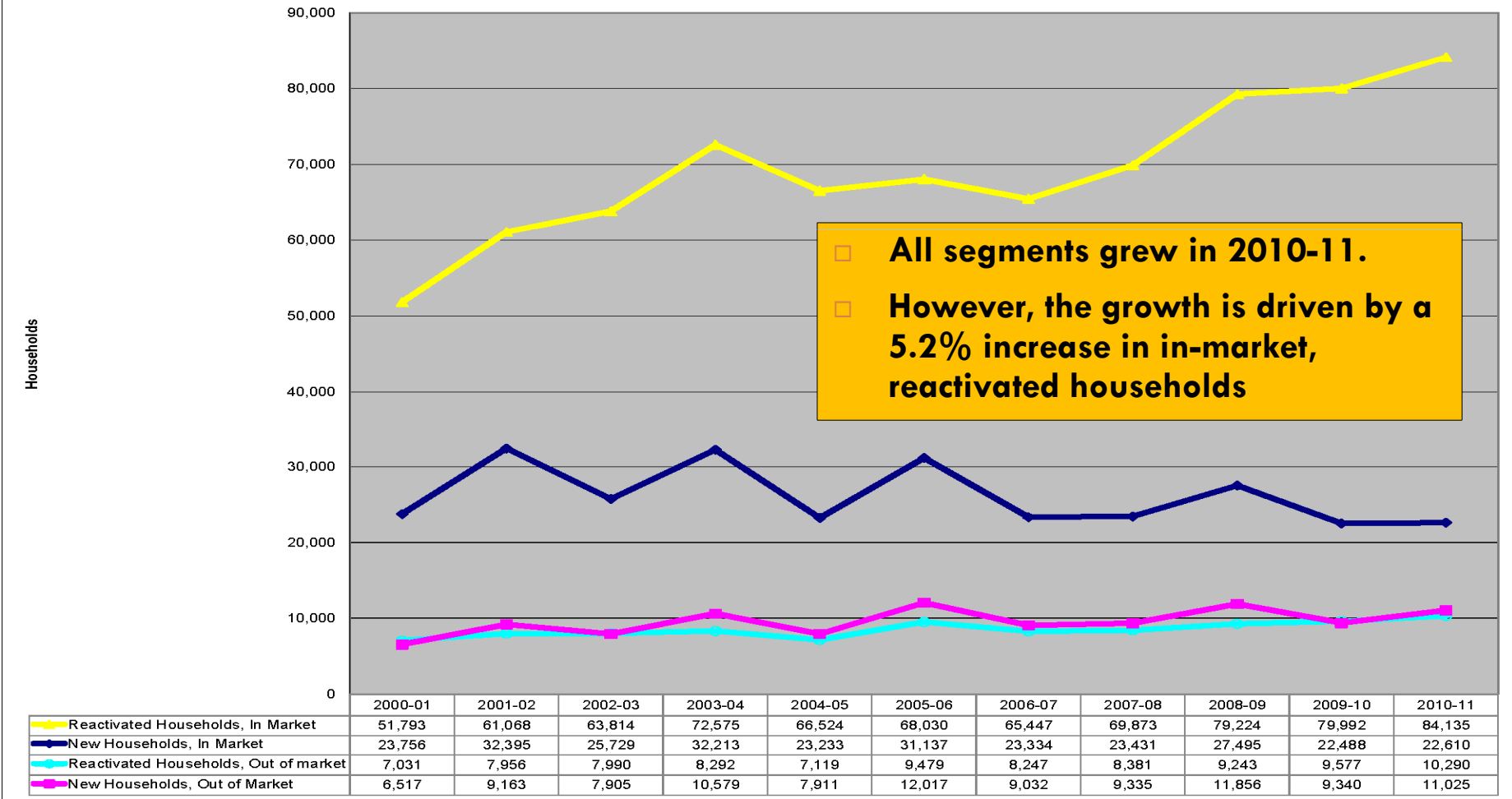# CMD buyer trends
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- Out of market
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  - Reactivated HH flat

- In market
  - New HH fluctuates between 27k and 33k; peaks in 2007-08 and 2009-10 driven by large punctuating events.
  - Reactivated households account for 16.5k (70%) of growth
    - Flattens but doesn't drop in 2008-09
    - Key to market growth

- We'll revisit first-time in market households when we look at life-time value.

Total Unique CMD Buying Households by Segment

Unique Promotable Households (HH)

	2006-07	2007-08	2008-09	2009-10
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Trends: Households by Buyer Segment

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Reactivated Households, In Market	51,793	61,068	63,814	72,575	66,524	68,030	65,447	69,873	79,224	79,992	84,135
New Households, In Market	23,756	32,395	25,729	32,213	23,233	31,137	23,334	23,431	27,495	22,488	22,610
Reactivated Households, Out of market	7,031	7,956	7,990	8,292	7,119	9,479	8,247	8,381	9,243	9,577	10,290
New Households, Out of Market	6,517	9,163	7,905	10,579	7,911	12,017	9,032	9,335	11,856	9,340	11,025

All segments grew in 2010-11.

However, the growth is driven by a 5.2% increase in in-market, reactivated households

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The CMD market models

Comparative analysis of arts and culture buyers

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Market modeling process

Market model review and data sources	Modeling process

Market model review and data sources

- Statistically derived equation
  - Used to understand who your customers are
  - Used to select prospect households for promotions
- Comparison to cross sell models
- Data and sources
  - 25,000 random sample of available households from Experian in Cleveland-Elyria-Mentor, OH CBSA
  - Extensive household-level data was appended (number and age of adults, number and age of children, income, length of residence, direct response purchasing, etc.)
  - This data set also appended to two years of CMD buyers.

Modeling process

- Buyers are matched against market sample and "flagged"; this is used to estimate the market penetration rate.
- Various statistical methods (algorithms) tested in model-building

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Key predictive variables

- Education

- Catalog Multi-Buyer

- Age

- Income

- Location

- Family Structure

- Homeownership and Length of Residence

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Comparative profile of buyers

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Head of household education distribution

□ CMD buyers are more likely to have a college or graduate degree

Market Segments	Education					Total
	Less than HS	HS	Some College	College	Graduate Degree	
Classes & Workshops	2.1%	12.3%	17.8%	34.8%	33.0%	100.0%
Singles	4.2%	20.5%	22.3%	28.7%	24.3%	100.0%
Subscriptions	4.1%	16.7%	16.7%	28.6%	33.9%	100.0%
Membership	4.2%	14.3%	17.4%	30.9%	33.2%	100.0%
Visitation	4.4%	16.5%	17.9%	30.0%	31.2%	100.0%
Total CMD Buyers	4.5%	20.3%	22.1%	28.6%	24.5%	100.0%
Total Market	16.0%	30.6%	26.4%	16.1%	10.9%	100.0%

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Direct response and catalog buying

☐ CMD buyers are active direct response buyers. Subscription buyers are the most active.

Market Segments	% DR Multibuyer	Types of Purchasing						
		Gifts & Gadgets	Books	Garden Mag	News & Finance Mag	Health Contrib	Political Contrib	Upscale
Classes & Workshops	57.1%	19.5%	50.0%	7.3%	16.0%	14.9%	12.2%	4.3%
Singles	65.3%	23.7%	57.2%	9.2%	20.3%	22.3%	14.6%	5.5%
Subscriptions	76.9%	31.9%	64.9%	12.3%	28.7%	32.3%	21.7%	9.7%
Membership	69.4%	27.5%	59.7%	12.8%	25.5%	27.6%	19.3%	9.6%
Visitation	69.7%	27.9%	60.2%	13.9%	23.8%	26.6%	18.2%	8.5%
Total CMD Buyers	65.1%	23.7%	57.0%	9.8%	20.5%	22.6%	14.8%	5.8%
Total Market	51.4%	14.8%	44.4%	6.9%	12.9%	16.2%	10.3%	3.4%

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Age of head of household

□ Overall, the distribution of the age of the head of household for CMD buyers is similar to the market; likelihood of a particular age range varies by product type.

Market Segments	Age of Head of Household								Total
	19 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 to 84	85+	Total
Classes & Workshops	1.4%	6.5%	36.7%	35.1%	14.0%	4.5%	1.7%	0.1%	100.0%
Singles	2.1%	10.2%	18.6%	25.8%	25.3%	11.7%	5.5%	0.8%	100.0%
Subscriptions	1.6%	5.4%	11.2%	20.8%	28.7%	19.3%	11.0%	2.0%	100.0%
Membership	1.5%	5.9%	20.5%	21.7%	22.0%	15.9%	10.5%	2.0%	100.0%
Visitation	1.6%	6.6%	18.5%	22.3%	25.6%	16.2%	8.0%	1.2%	100.0%
Total CMD Buyers	2.0%	10.0%	19.2%	25.1%	24.6%	12.0%	6.1%	1.0%	100.0%
Total Market	2.7%	12.2%	19.9%	25.1%	20.7%	10.3%	7.2%	1.9%	100.0%

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Income distribution

- While all income levels are represented, CMD buyers are more likely to have an income of $100k or more

Market Segments	Income						Total
	Under $35K	$35K to $49K	$50K to $74K	$75K to $99K	$100K to $149K	$150K+	
Classes & Workshops	7.2%	5.7%	13.9%	16.0%	22.4%	34.8%	100.0%
Singles	10.7%	8.3%	20.2%	17.7%	21.0%	22.1%	100.0%
Subscriptions	10.6%	8.0%	16.0%	15.1%	20.3%	30.0%	100.0%
Membership	10.8%	8.3%	16.6%	15.0%	20.2%	29.1%	100.0%
Visitation	10.2%	7.9%	17.7%	16.6%	20.8%	26.8%	100.0%
Total CMD Buyers	11.1%	8.7%	20.0%	17.5%	20.8%	21.9%	100.0%
Total Market	25.3%	15.2%	22.5%	14.4%	13.9%	8.7%	100.0%

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Family structure: number of adults, marriage and presence of children

☐ CMD buyers are more likely to be married, and have 3+ adults in the household

Market Segments	Number of Adults			% Married	Presence of Children <=18
	1	2	3+		
Classes & Workshops	16.6%	45.4%	38.0%	88.8%	69.5%
Singles	22.5%	35.5%	42.0%	79.6%	36.7%
Subscriptions	22.2%	36.1%	41.7%	79.1%	25.1%
Membership	22.7%	40.5%	36.8%	79.8%	37.2%
Visitation	20.4%	38.8%	40.8%	80.9%	34.8%
Total CMD Buyers	23.1%	36.1%	40.8%	79.0%	36.7%
Total Market	38.8%	31.7%	29.5%	59.0%	32.5%

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Presence, age, and number of children

- Classes & workshops buyers are most likely to have children 18 years old or younger.

Market Segments	Presence of Children <=18	Average Number of Children	Age of Children				
			If Yes; 0-3	If Yes; 4-6	If Yes; 7-9	If Yes; 10-12	If Yes; 13-18
Classes & Workshops	69.5%	2.4	45.0%	44.7%	47.2%	35.4%	32.3%
Singles	36.7%	2.0	43.9%	31.9%	28.0%	25.2%	44.8%
Subscriptions	25.1%	2.0	36.7%	26.5%	26.1%	25.0%	52.8%
Membership	37.2%	2.3	47.3%	41.7%	40.0%	31.3%	37.2%
Visitation	34.8%	2.1	46.8%	37.4%	34.0%	26.8%	39.0%
Total CMD Buyers	36.7%	2.1	45.2%	33.5%	29.4%	25.8%	42.7%
Total Market	32.5%	1.7	43.8%	26.6%	24.0%	24.2%	37.7%

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Homeownership and length of residence

- CMD buyers are likely homeowners. Overall, the length of residence distribution of CMD buyers is similar to the market.

Market Segments	Home Ownership	Length of Residence (Years)						Total
		0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25+	
Classes & Workshops	92.9%	19.3%	32.3%	18.0%	18.5%	5.2%	6.7%	100.0%
Singles	91.1%	17.8%	23.4%	13.3%	18.8%	9.6%	17.1%	100.0%
Subscriptions	93.7%	11.6%	19.4%	12.6%	20.4%	11.3%	24.7%	100.0%
Membership	92.4%	14.9%	23.8%	13.3%	18.4%	9.2%	20.4%	100.0%
Visitation	92.8%	13.3%	23.0%	13.0%	19.1%	10.2%	21.4%	100.0%
Total CMD Buyers	90.7%	18.1%	23.3%	13.1%	18.5%	9.5%	17.5%	100.0%
Total Market	74.0%	28.9%	21.2%	12.6%	15.0%	6.3%	16.0%	100.0%

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Cross sell model

Find households that purchase culture like other buyers

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Cross sell modeling process

Cross sell concept	Modeling process

Cross sell concept

- ☐ Originated in the catalog world
- ☐ Statistically derived equation used for strategic and tactical purposes
  - ☐ Think Amazon.com: uses purchasing data not demographics
 - ☐ More powerful than market models: Actions trump demographics

Modeling process

- ☐ Summarize buying for each household
  - ☐ Subscriptions: number of seasons subscribed
  - ☐ Single tickets: number of events purchased
  - ☐ Memberships: number of years of membership
  - ☐ Classes: number of classes purchased
  - ☐ Visits: number of visits
- ☐ Add total purchase summaries
  - ☐ How many product types purchased (subscriptions, single tickets, memberships, classes, visits)
  - ☐ Number of organizations purchased from
  - ☐ Total spent over the seven year period
  - ☐ Total seasons with any activity
  - ☐ Total orders of any kind
- ☐ Cross-validated neural network used after various algorithms tested

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Underlying Buying Principle

- Making any cultural purchase from multiple organizations increases the probability of buying from a second organization
  - 1 organization: 4.0%
  - 2 organizations: 7.8%
  - 3 organizations: 11.9%
  - 4+ organizations: 17.7%

- What is purchased shifts this basic curve up or down

- Same shape for almost all organizations and product lines

Variable "NUMORG" Sensitivity

Score (%)

Total Number of Organizations
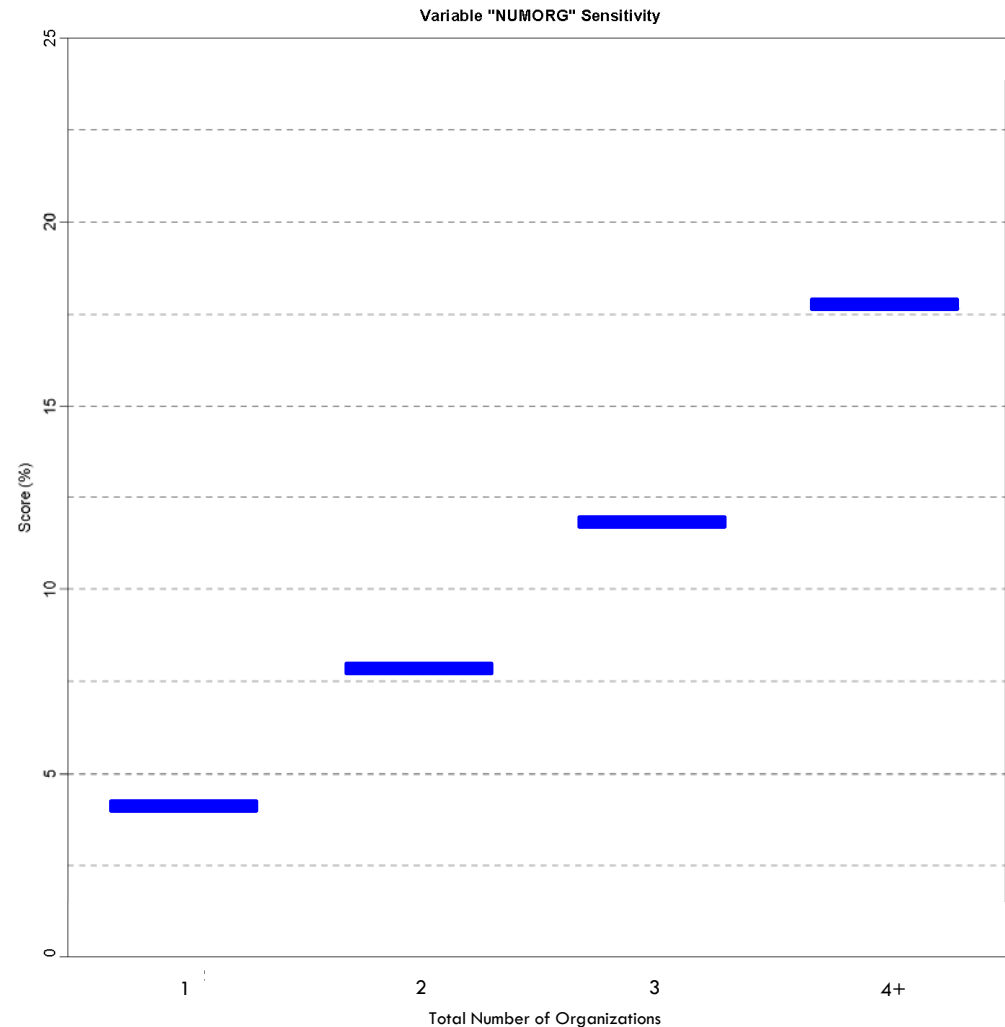
Lifetime value

Lifetime value

What is the long-term value of first-time customers?	Why is it important?

- "Lifetime" is the goal but we'll be looking at shorter, defined time frames.
- Value is based on purchases and gifts over the specified time frame.
- Process
  - Define each group (cohort) of first-time buyers and examine the subsequent revenue stream from each group.
  - We don't have acquisition and reactivation costs so we're evaluating the revenue stream only.
  - Calculate the present value of revenue stream.

- Provides a yardstick for measuring the return on your marketing investments now and over longer periods of time.
- Identifies hidden patterns and trends in customer behavior.
- Focuses new offers and programs for improving retention and re-activation.

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CMD first-time, in market buyer trends
Promotable households, all organizations

- As discussed earlier, first-time buyer trends form a "saw toothed" pattern driven by large punctuating events.

- We'll look at each first-time group as a cohort and follow their subsequent buying over time.

Total Unique CMD Buying Households by Segment

Unique Promotable Households (HH)

	2006-07	2007-08	2008-09	2009-10
In Market New	26,662	32,939	27,961	31,512

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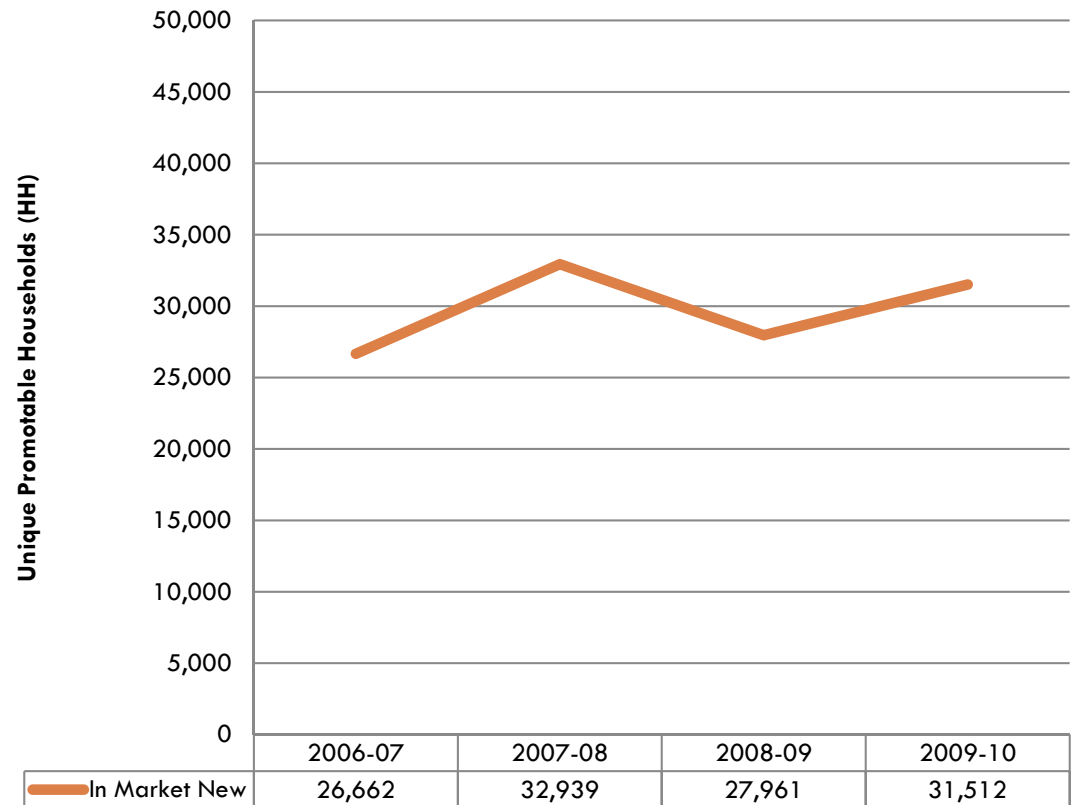
Key lifetime value metrics

Present value factor

- To compare cohorts from different seasons, we need to normalize the revenue streams.
  - Initial purchasing value in Year 0 always equals 1.
  - Cohort purchasing in later periods is discounted to reflect Year 0 dollars.
  - Cumulative discounted stream is divided by the initial purchasing value.
- An example: 2006-07 first-time CMD buyers

Other measurement tools

- Annual reactivation rate
- Long-term cumulative reactivation rate
- Conversion rate to multi-organization customer

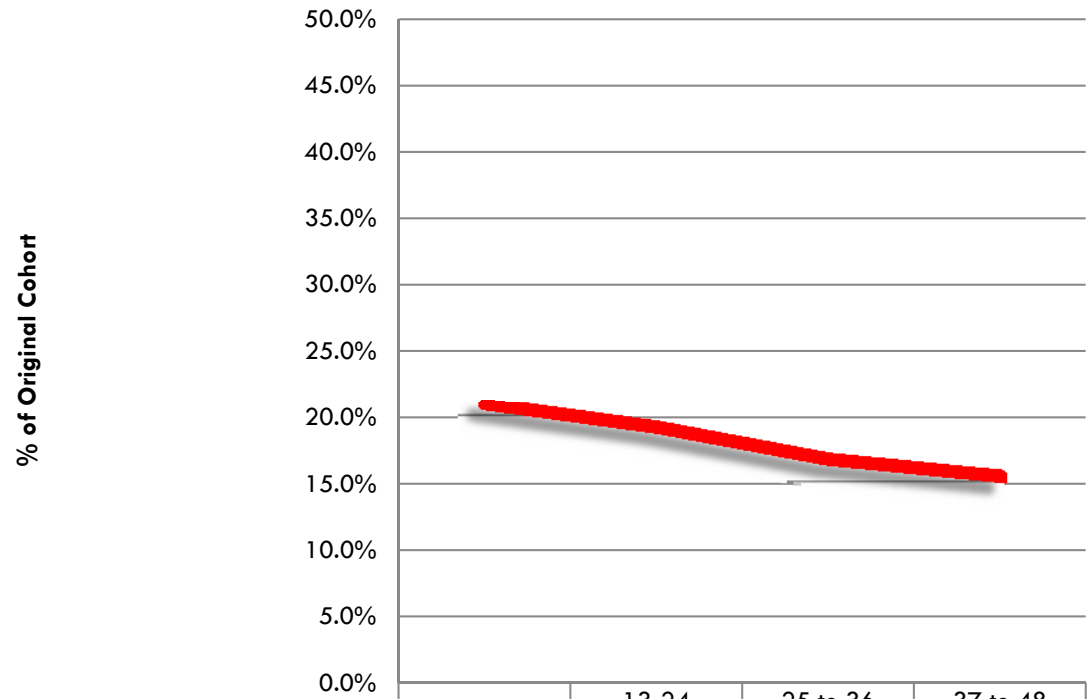| Period	Number of HH	Revenue in 2006-07 Dollars	Cumulative Revenue in 2006-07 Dollars	Cumulative Present Value Factor
Initial Cohort	26,662	$3,466,000	$3,466,000	1.00
Buy in 0-12 Months	5,747	$1,113,000	$4,579,000	1.32
Buy in 13-24 Months	5,382	$1,004,000	$5,583,000	1.61
Buy in 25-36 Months	4,861	$1,794,000	$7,377,000	2.13

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Present value factor trends

- Present value factors for each Cohort are tightly clustered and generally increase in value at about 30% per year

- 2006-07 a little bit of an outlier in 25-36 month period. We think this is due to punctuating events in 2009-10 that boosted reactivation above expected level.

- You can think of the CMD audience as a portfolio of cohorts extending many years into the past.
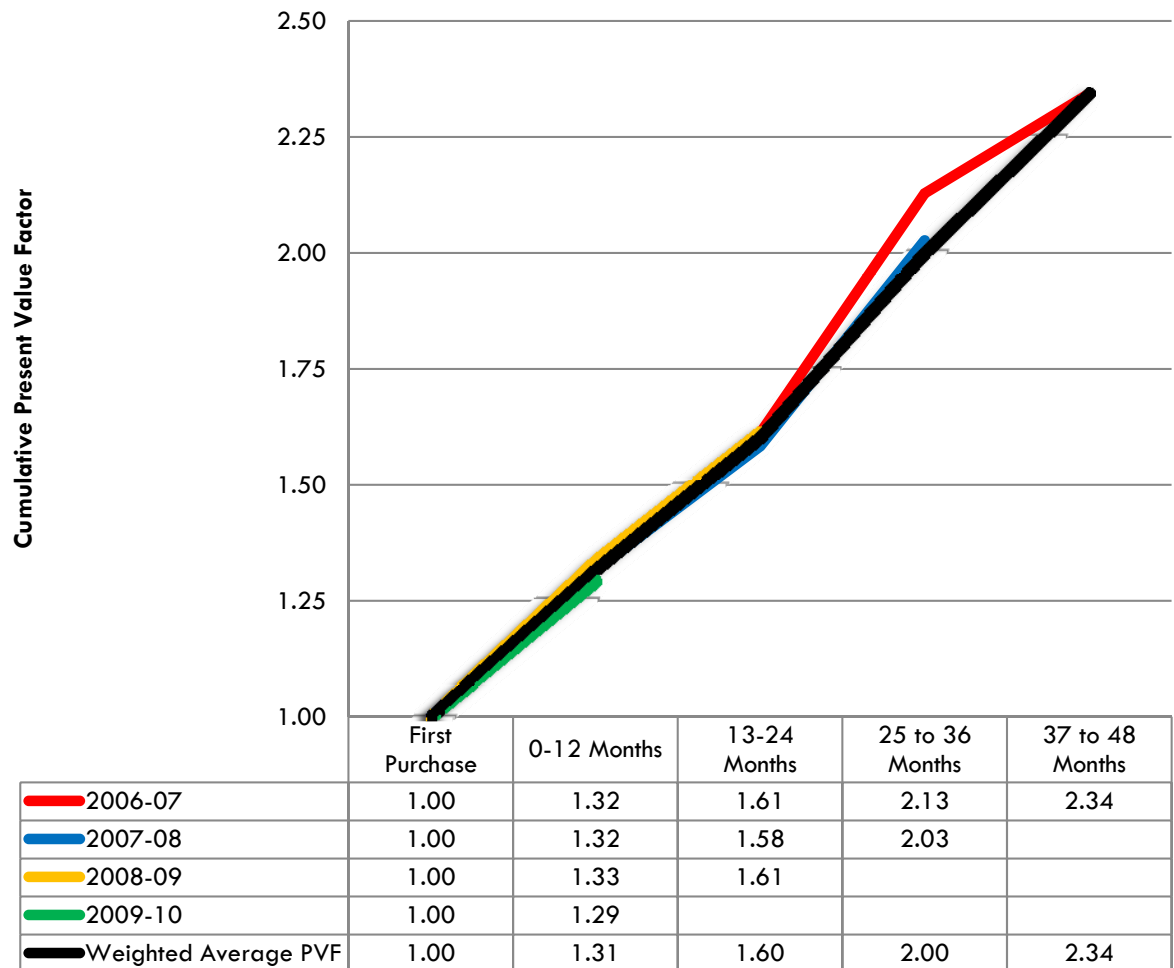
	First Purchase	0-12 Months	13-24 Months	25 to 36 Months	37 to 48 Months
2006-07	1.00	1.32	1.61	2.13	2.34
2007-08	1.00	1.32	1.58	2.03	
2008-09	1.00	1.33	1.61		
2009-10	1.00	1.29			
Weighted Average PVF	1.00	1.31	1.60	2.00	2.34

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Average buyer reactivation rates

- Average annual reactivation
  - 21% of each cohort returns within 0-12 months of their initial purchase.
  - Longer term, approaches 10%-15% per season.
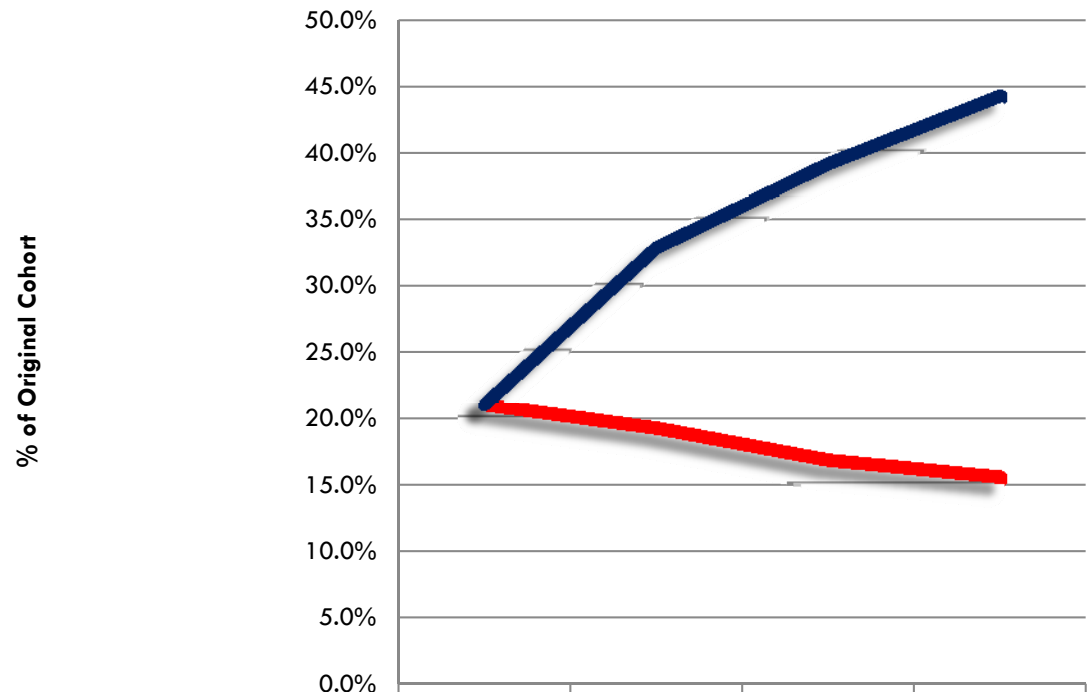
Buyer Reactivation Rates

	0-12 Months	13-24 Months	25 to 36 Months	37 to 48 Months
Avg Annual Reactivation	20.9%	19.1%	16.7%	15.4%
Avg Cumulative Reactivation	20.9%	32.7%	39.0%	44.1%
Avg First-Time Reactivation	20.9%	11.2%	5.9%	3.7%
2 or More Orgs	6.5%	11.4%	15.2%	19.8%

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  - 44% reactivation rate over 48 months; approaches 50%+ over the longer term.
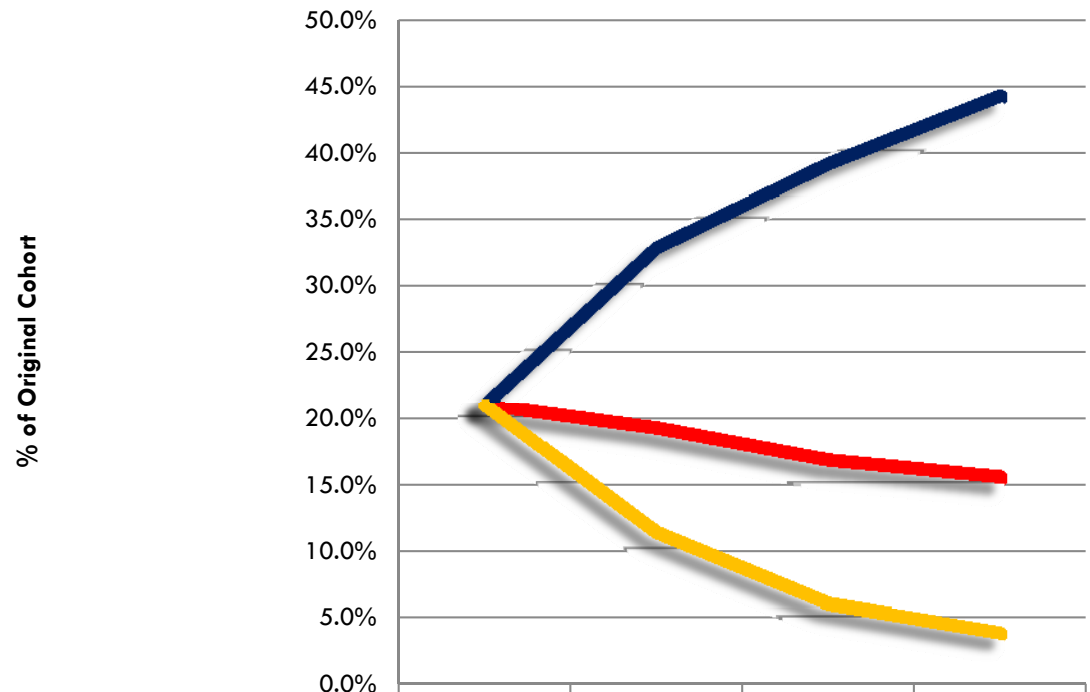
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  - Drops quickly after 12 months but flattens out over time.
  - Still, over 3.7% of original cohort reactivates for the first time in the fourth year.
  - This is reinforced by our recency findings in almost all promotions.
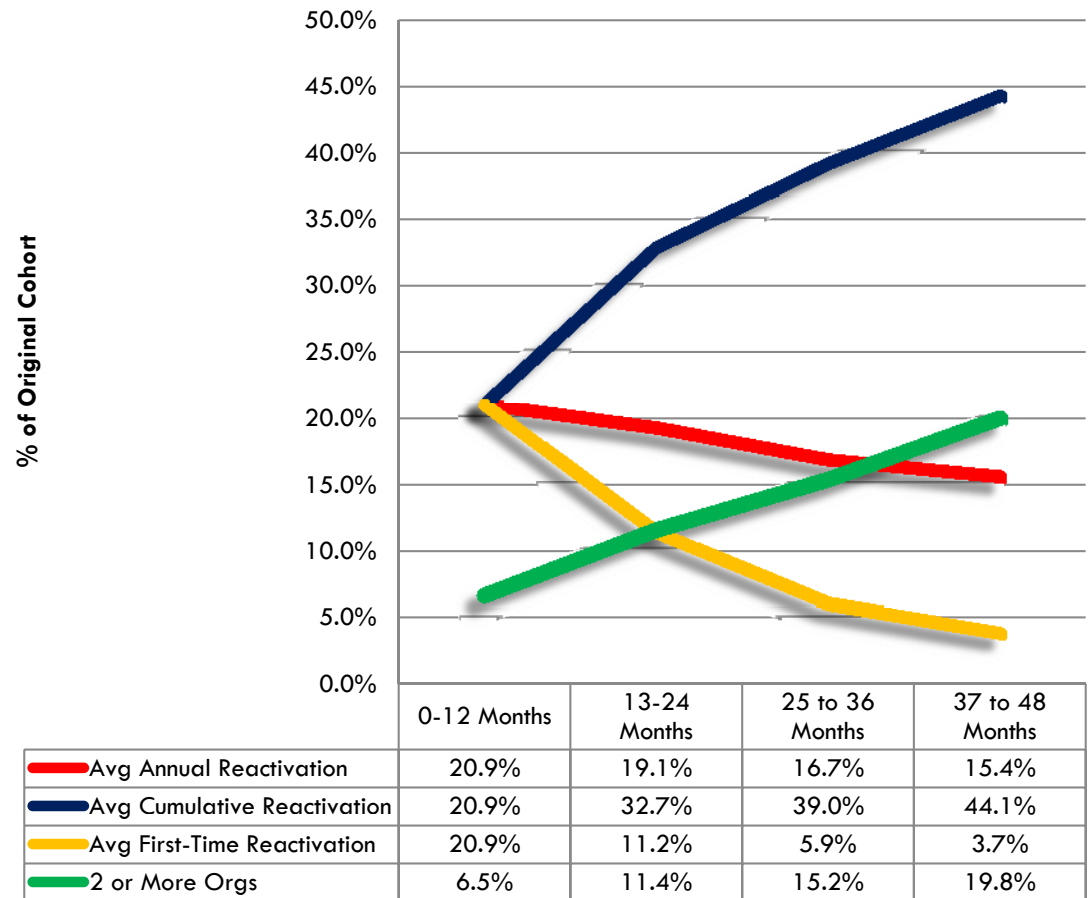
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- Active buyers: 2+ Organizations
  - Almost 20% of original cohort has become customers of 2+ organizations by the end of 84 months.
  - This is key long-term value generating group within the CMD.

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2009-10 CMD in market buying
Distribution by the season of first CMD purchase

- Summary: It really is a life time of value.

- 2009-10 first-time CMD buyers make up:
  - 29% of the households
  - 17% of the revenue.

- Households with a first CMD purchase from 2000-01 through 2008-09 make up:
  - 39% of the households
  - 36% of the revenue.

- Households with a first CMD purchase in 1999-00 or earlier make up:
  - 32% of the households
  - 47% of the revenue.

*The key is to develop a lifelong relationship between a customer and your organization. This relationship is what can generate future growth.

Season of First Purchase from any CMD Organization

■ % In Market Promotable HH   ■ % Revenue
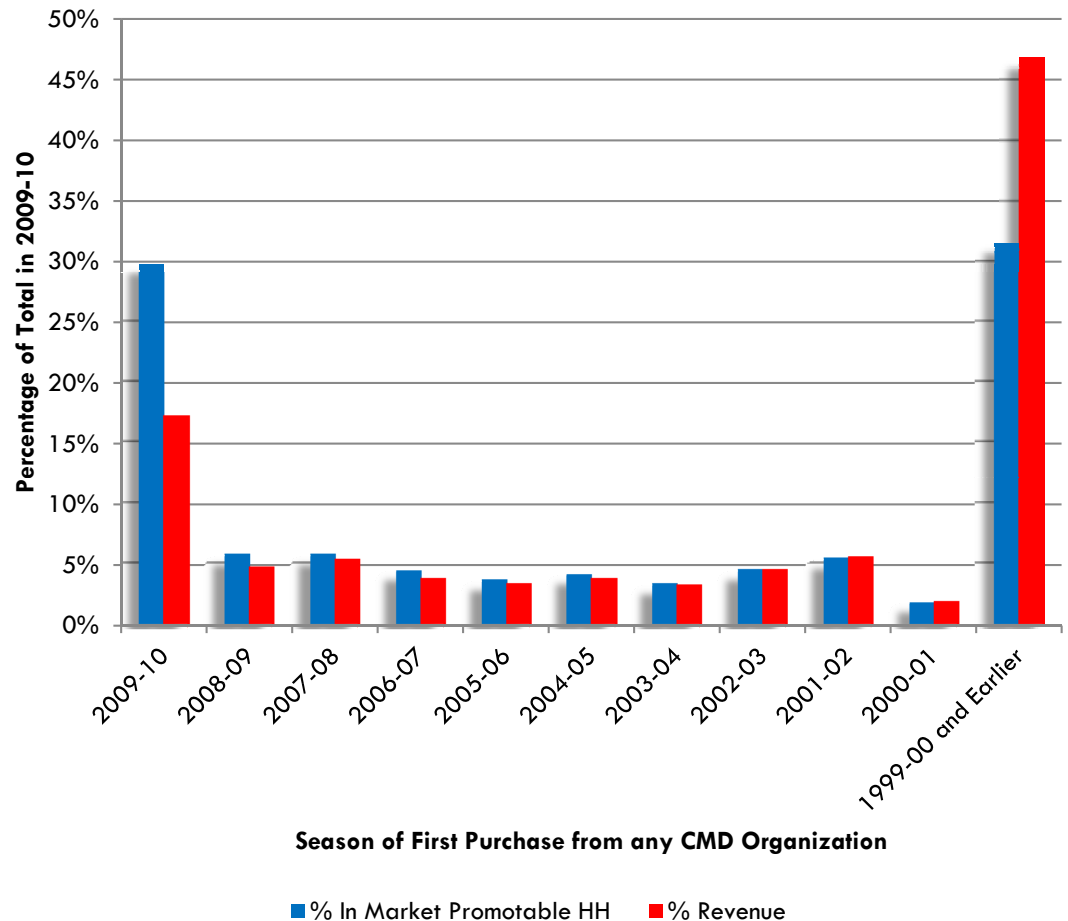
This chart shows that growth is dependent on maintaining a long term relationship with buyers - an organization's buyers never go away and the potential for reactivation is always present.

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Young buyers under 35

Characteristics of young buyers

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Young buyers under 35

Selection

- Selected households where the maximum adult age was <35

- Represents 9.8% of the households in the market (based on Experian market sample)

- 7-year penetration rate is 5.4%

Comparison to total market

- Key variables (Buyers v Total Market Under 35)
  - Owns home (72.7% v 44.3%)
  - College or graduate degree (46.1% v 21.4%)
  - Married (60.1% v 38.9%)
  - 2+ adults (47.9% v 29.7%)
  - Direct response buyer (10.7% v 7.3%)
  - Income above $50k (69.3% v 47.8%)
  - Presence of children (42.8% v 46.9%)
- What they buy
  - Family shows: *Sesame Street, Yo Gabba Gabba, Dora the Explorer*
  - Newer Broadway shows: *Avenue Q, In the Heights, Spring Awakening*

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Conclusion

Key Takeaways

☐ **Actions trump demographics** –
What a household buys is far more powerful than who they are (or where they live) in predicting purchasing behavior. The cross-sell model often outperforms the market model (Slide 1).

☐ **Focusing only on "famous zip codes" is risky** –
An organization that focuses its marketing efforts only on areas known to have significant populations of cultural buyers risks missing out on the majority of the arts and culture consumer market (Slide 10).

☐ **Aggressive collaboration will yield the highest returns** –
While an organization can learn a lot from its own data, collaborating with others will give them a fuller understanding of the buying behaviors of their region's arts and culture market. Arts and culture buyers are shared, not owned by organizations. This is especially true for the most active buyers (Slide 8).

☐ **Arts and culture buyers come from all walks of life** –
While the market models suggest arts and culture buyers are more likely to have college or graduate degrees, household incomes of $100k or more, be married, and own their homes, it is important to recognize that arts and culture buyers are present in all data categories. In the case of age, the distribution varies by the product type being purchased (Slides18-25).

☐ **A key to generating long-term value is to reactivate households, especially those with the most active buyers** – Reactivated households are a key to market growth (Slide 37). Arts and culture buyers that are the most active make up a small percentage of all promotable households, but they generate the highest percent of purchases (Slide 8).

☐ **Data collection and analysis is critical** –
Customers speak through their actions. While it is imperative to maintain clean, consistent records, organizations can only gain insight by conducting regular analyses of the data that they have collected.

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