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## Oliver Wyman's Churn Study

### Can telemarketing be used in a new way to woo reluctant subscribers?

Oliver Wyman, a management consulting firm, studied ticket buying trends for nine major orchestras and presented the results of this study at the National Performing Arts Convention this past June. The study focused on "churn" (AKA retention) and confirmed that a very high percentage of single ticket buyers (as high as 90%) attend one concert and never return. At the heart of the Wyman study was the premise that people want to "date" a while before being asked to get married. In other words, don't call someone who has attended a concert for the first time and ask them to become a subscriber. Wyman's findings suggested that there is a greater likelihood of a single ticket buyer purchasing a subscription *after* they've been asked and have attended several more single concerts.

To put the Wyman suggestions into action, DCM decided to test how first-time single ticket buyers would respond to different offers. The Cincinnati Symphony Orchestra, a client of DCM, agreed to the following approach: New to System Single Ticket Buyers would be divided in half. Group "A" would receive an offer to purchase a subscription. For Group "B" we would make a "killer offer" to attend one concert. "Killer offer" is a term used by Wyman to describe "an offer they can't refuse." Those that accepted the killer offer of one concert would be called again, *after they attended this concert*, with yet another killer offer - this time a killer subscription offer. The following year, we would track how many of those who took the "killer subscription offer" came back and purchased a subscription.

Although there was only a small pool of prospects, the results so far have been informative.

Group A: 377 Summer Pops New to System Single Ticket Buyers received a "traditional subscription" pitch to attend a series in the main venue Music Hall. 37% of these 377 prospects were contacted and only 1% purchased a subscription, generating \$148 in subscription revenue (1 order/1 subscription). DCM will usually see a 1 - 2% close rate for these prospects which is consistent with the perception that the summer outdoor audience is reluctant to transition into the main stage indoor performances at the Music Hall.

Group B: 382 Summer Pops New to System Single Ticket Buyers received a "Buy One Get One Free Ticket" pitch. As with Group A, 37% were contacted. However, in this instance 20% of those contacted responded positively generating \$2,199 in revenue (26



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### Featured Article

How the current economic situation impacts telemarketing campaigns

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ticket orders).

Clearly, the initial response from Group B is markedly higher. The next step will be to see how many of the 26 that purchased the killer offer for a single concert will accept the offer to purchase a killer subscription package. Calling has recently begun to these prospects.

It still remains to be seen if the "dating" approach to woo reluctant attendees ultimately results in more happy marriages between arts organizations and these apparent "commitment-phobes."

## Telemarketing and the Economy

### How the current economic situation impacts telemarketing campaigns

As the stock market tries to recover from two of its most difficult weeks in history, the current economic situation and its effect on finances and job security are on everyone's mind. Arts administrators are no different. During a conference in San Francisco in early October, we heard comments such as "We wanted to launch a capital campaign but think we should delay it due to the difficulty of funding the private phase," and "We have had a hard time selling subscriptions for the past few years, how will the crisis impact my ticket sales?" and "How can we measure the impact of the economy on our results?" DCM's clients want to know how the economic climate is impacting their campaigns.

With our revolutionary software program, CenterStage, DCM can track trends in the marketplace as they are happening to help better prepare its campaigns and address economic issues. Our telefundraising campaigns, most of which ended this summer, saw no consistent, significant economic effects. However, we are seeing some downward trends in the marketing campaigns. The following results reflect data through August 31, 2008 and compare results for 2008 to 2007.

#### **Subscription Renewals**

Total sales from renewals for our telemarketing campaigns were up across the board. DCM campaigns this spring looked like they were far ahead of previous years.

On average, DCM received 19% more renewal leads on campaigns this year than last year. This figure indicates that patrons did not respond as well to renewal mail and email sent prior to calling and more leads were turned over to telemarketing campaigns. Patrons either delayed decision-making or needed the nudge from a customer service representative to make their decision.

Renewal close rates, again on average, were lower in 2008 as compared with 2007, dropping from 35% to 33% across the country. This drop could indicate that with a larger number of leads to be called there were also a larger number of people simply not interested in renewing their subscription regardless of how they

were approached. The average subscription order is up 6% over last year, reflecting close to the average ticket price increase on many campaigns.

It is important to note that these results occurred in the spring and early summer of 2008 and are somewhat consistent with general trends in telemarketing over the past few years. It simply is more difficult to sell subscriptions. The economy certainly plays a part in people's decisions but we cannot know exactly why people buy or don't buy. DCM is already using the renewal statistical information to plan new strategies for 2009-10.

### **Lapsed Subscribers**

One of the most significant sources of revenue for our clients is lapsed subscribers - the patrons who missed the 07-08 season but who have been loyal subscribers to the organization in the past. One of the most startling statistics is the drop in revenue from this valuable lead source.

The average close rate for lapsed subscribers is down from 11% to 9% on one-year lapsed subscribers and from 5.5% to 4.5% for lapsed subscribers older than one year.

### **Single Ticket Buyers**

The good news is the performance of single ticket buyers. It's too early in the season to have a read on in-season single ticket buyers, but their success looks promising based on our results in other single ticket categories. Single ticket buyers from the 07-08 season increased their participation by an average of 5% and older single ticket buyers had similar close rates to past years. Single ticket buyers are obviously key during the acquisition campaign. Also, many organizations are starting to test new marketing strategies to retain single ticket buyers. (See the "Churn" article above)

### **Regional Differences**

One of the more surprising trends is that the California campaigns seem to be suffering more than the New York and East Coast campaigns. On average, California campaigns had larger drops in close rates than New York and East Coast campaigns. This statistic has the capacity to change dramatically in the coming days and weeks, but with the common misconception that Wall Street is the center of the economic problem, the coastal differences were unexpected.

### **2009-10 Telemarketing Campaigns**

Our Account Executives are already talking with our clients about the best ways to handle the 2009-10 campaigns and how this data helps inform decision making. How can you bring more patrons in by mail before the telemarketing campaign begins? Will early bird discounts provide true incentives? If patrons are making decisions later, is there value to delaying the campaign to maximize success? These are the kind of questions that should be discussed and answered now.

### **Fundraising**

The jury is still out on the 2008-2009 fall fundraising campaigns. The first two campaigns DCM began this fall (both based out of New York) had phenomenal starts. However, it is not at all clear that this is a trend in the making. DCM will be running our comparative numbers for our fundraising campaigns monthly and will keep clients updated. Because most of our fundraising campaigns start in October, we will not have statistically significant information until the end of November or early December.

The current economic situation is clearly affecting how people respond to our phone calls; phone representatives are often hearing this as an objection to purchasing subscriptions. While people are being affected by recent economic events and most are concerned about the future, it is hard to say how many now find it easier to say "no" and use the economy as their reason.

It is also important to remember that during the Great Depression, the entertainment and performing arts sectors were not as adversely affected as other industries because they provided a much needed escape from rough financial times. This is no different today. While the economic crisis is certainly impacting results, we should also look at the environment in which the performing arts industry is evolving. For that, you will find a follow-up in the next e-newsletter.

## DCM Performing Arts Calling Center Moves ENCORE Installed

On June 2nd DCM's Performing Arts Calling Center (PACC) began operations in a newer, brighter, bigger and more state-of-the-art facility than its former home a few blocks away. Still in the center of midtown Manhattan and easily accessible to greater New York's generous supply of arts-savvy callers, the new PACC boasts ample space for fifty-five calling stations, a bigger conference room, a lovely skylight over much of the calling area and a comfortable break room for the callers and managers.

Perhaps the most notable new addition to the scene is ENCORE, DCM's new electronic lead distribution system. Making its PACC "debut" with the Philadelphia Orchestra fundraising campaign, ENCORE was hailed by callers and managers alike as a rousing success.

"You can program leads so easily!" declared PACC floor manager Don Wollner. "You don't have to rifle through a thousand paper leads when you want to direct a specific set of prospects to one or two selected phone reps."

The new location is far more accommodating to new technology and that was one of the key reasons for the move. "We set up the new PACC knowing that it would be fully automated within the next year or two," says VP of Client Services Carolyn Conover. "We wanted it to be a better place for callers and a state-of-the-art facility. Obviously, ENCORE is a big part of that."

The move had to be accomplished without a break in service to any of the PACC's eleven telemarketing and telefundraising campaigns that were running at the time. The transition began after the Saturday shift on May 31st. As soon as the callers had left their stations, leads, furniture and personal affects were packed up and hauled three blocks north to their new home.

It was a frenzied Sunday as PACC managers, DCM tech staff and executives labored side by side; unpacking, connecting phones and computers and installing the ENCORE system. "It was pretty crazy," recalls senior PACC manager Janice Veal-Morris. "We just kept putting out fires until finally we were ready."

By Monday night, callers were ushered in to their new stations, managers and callers were brought up to speed on the ENCORE system and a new PACC era had begun. Since then the first flat screen TV monitor has been installed so that callers can view up to the minute progress of their campaigns and calling with ENCORE began for a second telefundraising effort -- Barnard College.

Geared up with new technology and a new home, the PACC stands readier than ever to meet the challenges facing the not-for-profits arts world in the coming years.

## State of Our Arts

In spite of economic concerns, DCM has seen many campaigns that performed better this year than over the last several years. Some examples are:

### **SUBSCRIPTION CAMPAIGNS**

As of 9/22/08

#### **Alley Theatre**

## **ALLEY THEATRE**

The Alley Theatre telemarketing campaign continues to exceed goals week after week. After twenty-one weeks of a thirty-five week campaign, the revenue received from telemarketing (\$317,026) exceeds the results generated for the entire 2007-08 campaign and is the most successful effort in the past several years. The productivity per hour has increased over the previous year's effort by 59% from \$74 to \$118.

#### **Baltimore Opera Company**

With just a few weeks left, DCM has exceeded its revenue goal by 33% generating \$396,560 while running less hours than in previous years making this effort far more cost-effective for the Opera Company. With 1,212 new subscribers, the 2008-09 telemarketing campaign is the most successful campaign ever in term of



acquisition. DCM is proud to end this campaign on an excellent note.

### Indiana Repertory Theatre

DCM is pleased to have begun a new relationship with the Indiana Repertory Theatre. The 2008-09 telemarketing campaign is off to a great start. In the first thirteen weeks of a twenty-eight week campaign, DCM has generated \$386,813 which is 82% of the overall telemarketing campaign goal. The campaign may be extended due to the outstanding results to date.



## FUNDRAISING CAMPAIGNS

### New York Philharmonic

The FY 2008 New York Philharmonic telefundraising campaign which ended on August 31, showed no signs of being affected by the struggling economy. After a great effort from the manager and the callers, the revenue of the campaign was up from \$1,768,684 last year to \$1,888,947 this year. DCM has also run less hours this year, making the effort more effective for the orchestra. Now in its fourth year working with the New York Philharmonic, DCM is looking forward to another new successful season.



### Philadelphia Orchestra

DCM recently completed its third successful effort for The Philadelphia Orchestra generating 2,528 gifts and \$290,610 in revenue. In addition, this was one of the first campaigns to move to ENCORE (DCM's state-of-the-art, web-based lead management system) at the DCM Performing Arts Calling Center. The transition was extremely successful and thanks to ENCORE, the contact rate was up from 4.2 to 5.7 contacts per hour. DCM is very happy and proud to continue its partnership with the Orchestra for the 2008-09 campaign.



## Welcome to DCM

DCM Welcomes Howard Silverstein, Richard Kuonqui and Michelle Durante

**Howard Silverstein** has spent the last seven and a half years working for Artsmarketing, one of DCM's competitors running on-site arts telemarketing and telefundraising campaigns. But



his telemarketing experience started in 1990 as a campaign manager for Share Group, a large telefundraising firm in Massachusetts. During his telemarketing career, Howard has run outbound call rooms of up to 200 stations, managed predictive dialers in an automated environment, ran a 96 station inbound campaign, revamped caller training programs, created caller and manager compensation models, and much more.



Howard has worked for non-profit and for-profit clients alike. His non-profit arts clients have included:

Atlanta Ballet, San Antonio Symphony, Cleveland Orchestra, Cleveland Playhouse, John Carroll University, National Gallery Of Canada, National Symphony Orchestra, Field Museum Of Natural History and the Huntington Theatre Company.

In addition, he is a 25-year member of The American Political Items Collectors and boasts an extensive collection of political pinbacks and campaign memorabilia!



**Richard Kuonqui**, Finance Manager, oversees the finance group at DCM. Prior to joining DCM, Richard was VP of Finance at US Window, and was a key player in the successful expansion of services to the metro Atlanta area. Before that, he worked as an associate at a NYC hedge fund. Richard plays classical piano, has a passion for the arts and is a graduate of Columbia University.

**Michelle Durante**, Account Executive, joins DCM with a background in management for the non-profit sector of the arts. She previously worked as the Operations Manager for Creative Alternatives of New York, an organization that provides drama therapy groups to traumatized and socially underserved individuals. Her experience in management includes finance, development and marketing along with strategic planning and implementing organizational structure. Michelle is also a professional dancer with a strong focus in modern and contemporary technique. Michelle has performed with various companies and is currently the Executive Director, choreographer and dancer for Immersion Dance Company where she has showcased her works and danced nationally and internationally. In order to bring dance into the lives of young people, Michelle teaches and choreographs for children and teenagers who are part of a



team of dancers at The Dance Depot School in Queens.

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