



SEATTLE ART MUSEUM 2010–2012 SUSTAINABILITY PLAN

Strategic Planning Committee
Of the Board of Trustees

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SEATTLE ART MUSEUM 2010–2012 SUSTAINABILITY PLAN

Executive Summary

The Seattle Art Museum (SAM) has achieved remarkable growth during the past decade. SAM more than doubled the size of its downtown museum, created the widely acclaimed Olympic Sculpture Park, reached out to new and more diverse audiences, added significant value and depth to its permanent collections, and increased programming for visitors of all ages. Yet, just as the new venues were opening and the new programs were coming online, the world was shaken by the most severe economic recession since the 1930s. SAM found itself grappling with severe financial challenges from all directions.

To meet the crisis, SAM's leadership has cut the budget, reduced staffing levels, and conducted urgent fundraising to protect the organization's financial integrity and enable it to continue its mission. In that context, the Strategic Planning Committee of the Board was charged with the task of creating a "Sustainability Plan." The purpose of this plan is

to guide the organization during the next two years as it works to regain financial stability and emerge from the recession prepared to move ahead.

To fulfill its charge, the Committee focused on key indicators that chart the performance of the five major revenue sources that contribute to SAM's operating budget. The Committee compared that performance to similar data for other museums throughout the United States. While the national data have many anomalies and must be applied with caution, several findings are evident:

- SAM's strength lies in the large portion of its revenue that is derived from admissions and store sales, the impressive breadth of its membership base, and the historically high level of contributions it receives from individuals and corporations.
- SAM's long-term vulnerability lies in the fact that, relative to other major museums, it receives little public funding, and has a relatively small endowment compared to its peers. The economic downturn has also created "softness" in the contributed income.

The current economic recession will make it difficult to address this imbalance in SAM's funding base in the near term. The Committee has developed a six-part action plan to build on the museum's strengths in the near-term, and to lay the groundwork for longer term strategies to secure public funding and build the endowment.

This Action Plan includes six elements:

1. Maximize the anticipated increases in attendance, memberships and contributions during the Picasso exhibition.
2. Implement a Business Intelligence Initiative to maximize and sustain those gains over time.
3. Select exhibitions with an eye toward producing, throughout the year, a varied and appealing sequence of projects. Programming should acknowledge the strength of SAM's own permanent collection as well as fulfill the institution's mission to bring the finest things that men and women have created over time to this community, always for the benefit of the broadest conceivable audience. In so doing, SAM intends to provide greater accountability, strengthen year-round attendance, attract funding, and meet financial goals, while retaining focus on the museum's objectives for artistic excellence.
4. Work in coalition with others to create a Cultural Access Fund to increase public funding for the arts.
5. Lay the groundwork to increase the size of the endowment as the economy improves.

6. Establish an internal dashboard of key performance indicators to help the staff and Board track progress and make sound decisions, and a public version of the dashboard to display metrics of the public benefits SAM provides.

SEATTLE ART MUSEUM 2010–2012 SUSTAINABILITY PLAN



Introduction

During the past decade, the Seattle Art Museum (SAM) has accomplished extraordinary things. In 2007, SAM completed a historic expansion, emerging with three distinctive facilities, significant international attention, promised collections of inestimable value to the community, and a new recognition of its institutional primacy in the Pacific Northwest. This unprecedented expansion was enabled in great part by the full support of the museum's strong philanthropic base of supporters who stepped forward to fund, over a ten-year period, capital campaigns to expand the downtown museum and create the Olympic Sculpture Park, as well as a separate campaign to build the museum's endowment. Total funds raised exceeded \$225 million.

The great artistic possibilities foreseen in that expansion also led to enhancement of SAM's programming at the three sites and investments in curatorial staff, museum services, conservation, and education. New programming initiatives were launched, significantly expanding SAM's appeal to younger and more diverse audiences. Major granting agencies, such as the Wallace Foundation, acknowledged SAM's success in these areas by awarding the institution top funding. By 2008 staffing levels had increased to 274 full-time equivalents (FTE) and the museum's budget had grown to approximately \$25 million. The

Both the nation and our region are currently being shaken by the most severe economic downturn the world has experienced in eighty years.

organization was also able to achieve several key financial management objectives, reducing its bridge financing from \$70 million to \$14 million, and increasing its endowment to within 10 percent of its all-time high, despite adverse economic forces.

Under the leadership of a new director, the organization is ready to take even more strides toward achieving its mission. However, both the nation and our region are currently being shaken by the most severe economic downturn the world has experienced in eighty years. The damage caused by the “Great Recession” has affected every aspect of SAM’s operations, slowing admissions, memberships and contributions, and curtailing prior grant success. In addition, the recession caused the collapse of Washington Mutual Savings Bank, the primary lessee of office space in the Museum’s downtown facility. The sale of Washington Mutual to JP Morgan Chase meant the loss of millions of dollars in rental income. As a result, the Museum had to raise additional funds and borrow from the unrestricted part of its endowment to meet mortgage payments on its downtown building.

SAM serves a sophisticated and diverse community that will support our mission if we do our work well.

In response to this financial crisis, the Board and staff have acted to cut the operational budget, trim the number of exhibitions, and reduce staffing levels to around 200 staff members, which is approximately the number of full-time equivalent staff the museum had before the opening of the sculpture park and the expansion of the downtown museum. The Museum has conducted emergency fundraising and temporarily increased the annual drawdown from the endowment to ameliorate operating deficits. These measures have enabled the leadership of the Museum to balance the

budget for FY 2011. However, both Board and staff understand that these steps will not be sufficient to sustain SAM in the long run. To address this challenge, the Strategic Planning Committee was charged with the task of developing a Sustainability Plan to guide the museum toward financial stability and sustainability during the next two years.

This report is the product of an intensive six-month period of work by the Strategic Planning Committee, its consultants, and senior Museum staff. The report provides a brief analysis of SAM’s current challenges and opportunities, and lays out a six-point action agenda to strengthen SAM’s financial position while preserving its core values.

Principles

The Committee approached its charge with an absolute commitment to the following principles:

1. Art Comes First: Collecting, preserving, and exhibiting great art and producing dynamic programming are the core of SAM’s mission, and central to its success.

2. Financial discipline and sound business practices are critical to achieving SAM’s mission.
3. SAM serves a sophisticated and diverse community that will support its mission if it does its work well.
4. SAM’s gifted staff and dedicated Board, when fully aligned behind clear goals, enable the Museum to best serve its members and the public.
5. Thoughtful planning, consistent implementation, careful evaluation, and continuous improvement are essential to SAM’s future.
6. As the leading art museum in the Pacific Northwest, SAM holds its responsibility to the citizens of the Puget Sound region in highest trust, and will pursue the mission in a manner that is transparent and accountable to the community we serve.

The Challenge SAM Now Faces

In keeping with the above guiding principles, the Committee determined that it will be essential to establish a set of “metrics”—key performance measures—to assess SAM’s current situation, set measurable goals, and track progress over time. The Committee developed potential metrics in four areas: financial, organizational, programmatic, and reputational. (Please see Appendix A.)

Although each of the four categories is important, the urgency of developing a viable plan for financial stability motivated the Committee to focus first on financial indicators. The Committee charted the five key revenue streams that contribute to SAM’s annual operating budget:

1. Earned revenue from admissions, the store, and the café
2. Membership revenue
3. Contributions from individuals and corporations
4. Public funding
5. Proceeds from the endowment.



The Committee reviewed the data for each of these revenue streams for the past several years and the projections used to develop the FY 2011 budget. The review revealed several important facts:

- Earned revenues, memberships, and contributed income currently contribute more than 70 percent of SAM’s operating budget (rising to 78 percent if contributions to the special exhibitions fund are included).

- Public funding sources have historically not provided a major portion of SAM's income (less than 3 percent).
- The endowment provides about 23 percent of the annual operating budget and is currently being drawn upon at a rate that cannot be sustained over time.

To place SAM's revenue profile in a national context, the Committee reviewed data from the 2009 survey of American art museums. Although that survey has many anomalies, it does suggest that in relation to other leading museums:

- SAM ranks relatively high in attendance, memberships and contributions.
- SAM ranks relatively low in public funding. In 2008, the 102 museums reporting public funding averaged just under \$3 million per year from government sources, while SAM received just \$481,000 from such sources.¹
- SAM derives a smaller percentage of its budget from its endowment than many of its peers. While SAM ranked ninth in total attendance, it was thirtieth in the size of its endowment, and twenty-seventh in revenue from investments, endowments, and trusts.²



The local and national data sets reviewed by the Committee point toward the same conclusions—both SAM's strength and its vulnerability lie in the portion of its budget it derives from earned revenue, memberships, and private contributions, while income from public funding and the endowment must ultimately be increased if SAM is to achieve sustainability and fulfill its mission. In the near term, the recession makes the task of developing

those sources much more difficult. It is certainly not a good time to secure substantial public funding, because governments at all levels are facing severe financial shortfalls and cutting services. Similarly, the recession has battered the personal financial portfolios of most prospective donors, making it a challenging time to build the endowment.

Faced with these realities, SAM must focus first on finding ways to increase earned income, memberships, and contributions during the next eighteen months if it is to emerge from the recession in good condition. The 2011 budget is built on the expectation that the Picasso exhibition will be a key to achieving those objectives.

¹ Association of Art Museum Directors, 2009 Statistical Survey.

² Ibid.

Confronting the same imperative to increase revenue, some museums across the country are perceived to have compromised artistic excellence in their programming in the hope of attracting larger audiences. It is important to recognize that SAM has not made that choice: The Picasso exhibition promises to be both an artistically important show *and* a landmark project in terms of the audience it will generate. Similarly, *Gauguin in Polynesia*, scheduled for 2012, shares those same characteristics. These two exhibitions provide SAM with an extraordinary opportunity to generate excitement and popular support, and to increase attendance, memberships, and contributions.

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However, two landmark exhibitions alone will not be sufficient to enable the museum to achieve financial stability. SAM must also build upon the gains that are expected during those two major shows to ensure that attendance, memberships, and contributions remain robust throughout this critical period. The Committee believes there are two major actions that must be taken to achieve that objective:

1. Business Intelligence techniques must be used to drive decision-making and improve performance.
2. The organization must empower its artistic leadership to deploy robust programming that combines major exhibitions with smaller but stellar exhibitions from SAM's own collections and those of the donors, along with imaginative programs that keep people coming back to the Museum in between landmark shows.

Action Plan

Based upon the above analysis, the Committee recommends the following action plan.

Action 1: Ensure that the Picasso exhibition meets or exceeds its targets.



- A. Secure the amounts targeted for contributions from individuals, corporations, and foundations.
- B. Market the exhibition to the broadest possible audience, and take the steps necessary to ensure that all visitors feel welcome so they will want to return to SAM in the future.
- C. Meet or surpass the goal of 200,000 visitors during the exhibition.
- D. Increase membership by at least 8,000 as a direct result of the increased attendance related to the exhibition.

The Committee reviewed an impressive list of activities the staff has already initiated to work toward these goals. (Please see Appendix B.) The Committee also identified several additional activities through an exercise in which individual Committee members each took on the role of a particular first-time visitor to SAM, and looked at the museum through their eyes for opportunities to improve the experience. New ideas emerged from that exercise to improve way-finding within the museum, increase the number of visitors who use the museum store, and attract those who visit the Sculpture Park to visit the downtown museum as well.

Action 2: Launch a Business Intelligence Initiative to maximize gains.

Business Intelligence is an approach to gathering, analyzing, and using information about an organization's customers and business practices to significantly improve its performance in achieving its goals. Business Intelligence goes beyond traditional data analysis, which focuses on understanding what is happening "now." Instead, Business Intelligence provides the tools necessary to forecast what would be likely to happen in the future if different methods were employed, and to predict how various demographic groups are likely to respond to those methods.

SAM's objective in implementing a Business Intelligence Initiative will be to increase museum attendance, and, in turn, admissions and store revenue, while increasing membership sales and upgrades. Here are two examples:

- By understanding the demographics and interests of members, SAM can more accurately identify potential new members within the Seattle market and predict which members are most likely to upgrade their membership level over time.
- By understanding more about how different demographic groups respond to varied programming, SAM can more accurately target specific markets and use the most effective communication tools to reach them. This will become increasingly important as traditional media sources decline and new media continue to emerge.

Business Intelligence provides the tools to forecast what would be likely to happen in the future if different methods were employed, and to predict how various demographic groups would likely respond.

Achieving this level of analytical capability will require an investment of time and resources. The Committee believes such an investment to be warranted in light of SAM's current dependence on the variables that could be affected by this new capability. The Committee recommends the following steps to launch this initiative:

- A. Create a subcommittee of the Strategic Planning Committee to provide guidance for the initiative. The subcommittee should be comprised of five trustees along with community volunteers who have experience in implementing business intelligence techniques in other organizations.
- B. Allocate \$150,000 in FY 2011 to launch the initiative. The funds will be used to add one full-time staff person as an analyst, to purchase analytic software, and develop the necessary data storage capacity.
- C. Monitor the progress of the initiative during the start-up phase and incorporate ongoing funding for these activities in the FY 2012 budget if warranted.

While it is difficult to predict with certainty what the results will be, it is useful to note that each 1 percent increase in earned revenue from admissions, the store, and membership will yield \$75,000. Therefore, the Initiative will achieve a positive return if it generates more than a 2 percent increase in SAM’s earned revenue during the post-Picasso period. (See Appendix D for a more complete description of this initiative.)

Action 3: Refine the process for selecting exhibitions and programming.

The Committee noted that the staff has recently refined the criteria for selecting exhibitions to ensure that each proposal is subjected to a rigorous review for how it will contribute to SAM’s mission, and how it can be expected to perform in financial terms. Although the criteria are still in draft form, they present an important step forward. The Committee recommends that the staff continue to refine the criteria and present them to the Board, so that the entire organization will understand and support the method that will be used to select exhibitions and programming initiatives. (See Appendix E, Draft Selection Criteria.)

The Committee also recommends that SAM shift from marketing single exhibitions to a strategy of creating and marketing diverse annual programs or “seasons” of exhibitions and programs in which offerings of various size (and

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budget) complement one another in their artistic content. (For example, the Picasso exhibition might be complemented with a show from SAM’s African Art Collection illustrating the influence of African masks on Picasso and the Cubists, or an exhibition could be developed from SAM’s collection to trace the influence of Picasso on Northwest Artists.) It will take time to develop this programmatic resonance, but the ultimate goal will be to extend the planning horizon to three or four years, and to create the synergy needed to keep people coming back to SAM throughout the year.

These three near-term actions will help SAM deploy its current strengths to survive the recession. But these actions will not be sufficient to achieve SAM’s mission in the future. To become truly sustainable and to thrive, SAM must secure greater public funding and build its endowment. And while the recession makes this a rough time to move forward on those fronts, it is the ideal time to lay the groundwork for those actions. Therefore, the Committee recommends the following:

To become truly sustainable and to thrive, SAM must secure greater public funding and build its endowment.

Action 4: Create a Cultural Access Fund to increase public funding for the arts.

For several years, SAM’s leaders have been quietly working behind the scenes with others to create a new public funding mechanism for arts and cultural organizations in the Central Puget Sound region. That work has created a remarkable coalition, which now includes all the major arts organizations in four counties, as well as cultural institutions such as the zoo and aquarium, and dozens of small arts and heritage organizations in communities throughout the region. These organizations have united in support of a specific funding mechanism and a formula for distributing the proceeds. The proposed funding mechanism is based upon an existing model in Denver, Colorado, where the residents within a designated “cultural district” have dedicated a share of local tax revenue to support the arts.

The measure being proposed here would create a cultural district composed of King, Pierce, Snohomish, and Kitsap counties. The voters within that district would be asked to approve the dedication of a share of either the property tax or the sales tax to a “Cultural Access Fund” (CAF). This fund would be used to expand access to the arts and to cultural institutions, with special emphasis on providing access for school children.



Under the current proposal, the Cultural Access Fund would provide each of the major arts organizations—including SAM—with 15 percent of its annual operating budget. This would mean public financial support for SAM would increase dramatically—from less than 3 percent of the operating budget to 15

percent. For FY 2011, this would translate into an infusion of approximately \$3 million, equaling the national average for America’s major art museums.³

To create the Cultural Access Fund, SAM and its coalition partners must overcome two major hurdles:

- The state legislature must approve enabling legislation to authorize the creation of the Cultural District and the use of a specific tax; and
- The voters within the Cultural District must approve a ballot measure to establish the District and levy the tax.

In the current political and economic environment, those hurdles would be extremely difficult to clear. But as the economy improves, so will the prospects for the Cultural Access Fund. To prepare for that opportunity, the Committee recommends that the Board of Directors establish a task force of its members to support the CAF initiative. The task force would develop and implement a campaign plan to:

The Cultural Access Fund would provide each of the major arts organizations—including SAM—with 15 percent of its annual operating budget.

- A. Continue SAM’s leadership role within the coalition.
- B. Develop metrics to document SAM’s performance in providing educational programs and other direct public benefits, and display those metrics prominently on the public “dashboard” of SAM’s key performance measures.
- C. Educate key opinion leaders about the CAF and its benefits.
- D. Engage Board members in contacting key legislators to build support in Olympia.

Action 5: Lay the groundwork to build the endowment.

SAM’s \$100 million endowment is the largest of any major arts organization in the region, yet it pales in comparison to many of SAM’s peer institutions in other cities.⁴ Ideally, SAM would possess an endowment that would generate between 35 percent and 45 percent of its annual operating budget based on a 5 percent annual draw on endowment worth. Thus the ideal endowment contribution to a base budget of \$24 million would be \$8.4 million to \$10.8 million. At a 5 percent draw, this would require an endowment of roughly \$168 million to \$216 million.

³ Ibid.

⁴ Ibid, 2009 Statistical Summary

By comparison, in FY 2011 staff expects SAM's \$103 million endowment to contribute less than \$4 million to the operating budget, even with a 5.7 percent draw. This means that as long as SAM maintains budgets in the \$22 million to \$25 million range, the organization will perpetually be chasing \$4 million to \$5 million in revenues annually from other sources, a difficult task in the current environment.

Before the recession, SAM was planning a campaign to increase the size of its endowment. Board leaders had begun laying the groundwork for that campaign by conducting interviews with key contributors to determine the magnitude of planned giving and other major gifts that could be anticipated as part of that endeavor. At that point, potential gifts of approximately \$50 million



were identified. With the recession having inflicted significant damage on the assets of many of SAM's supporters, there is a need to update that research, and to plan a targeted effort to expand the circle of major donors who are willing to consider gifts to the endowment. There is also a need to address the possibility that the special exhibitions fund, established to provide near-term support for major exhibitions such as Picasso, will need to be replenished to provide bridge funding until an endowment campaign can be implemented and begins to bear fruit.

Therefore, the Committee recommends that the Board establish an "endowment working group" charged with the following tasks.

- A. Update the research regarding the magnitude of planned giving contemplated by SAM's major supporters.
- B. Create a case statement for the endowment that documents the value of the public benefits SAM provides.
- C. Identify potential new donors to an endowment campaign.
- D. Develop an endowment campaign structure and timeline, along with financial benchmarks to measure progress.

Update the research and plan a targeted effort to expand the circle of major donors who are willing to consider gifts to the endowment.

- E. Determine the need for bridge funding through the special exhibitions fund.
- F. Implement a campaign to secure the funds needed to fill that need.

Action 6: Create clear metrics to measure performance.

The Committee recommends that SAM establish a dashboard of key metrics to:

There should be two versions of the dashboard: an internal version to monitor performance toward targets and an external one aimed at SAM members and the community at large.

- Chart the organization’s progress in meeting its clearly defined goals.
- Provide the staff and Board with accurate and reliable information with which to make decisions.
- Provide the community with transparent, lasting references to the benefits SAM provides to its members and to the general public.

The Committee suggests that there be two versions of the dashboard: (1) an internal version that contains financial indicators and other key administrative measures to monitor performance toward meeting budgetary and operational targets; and (2) an external version that is aimed at SAM members and the community at large, and prominently displayed on SAM’s website.

These two versions of the dashboard will be effective only if the metrics are carefully selected to be the most important indicators of SAM’s progress. They should be limited in number, but sufficient to track progress in four areas:

1. Financial performance (Earned and Contributed Income)
2. Operations (Expenses)
3. Programmatic performance (Outreach/Audience Development)
4. Reputation and public image (Media/Collaborations/International Projects).

The Committee has developed preliminary lists of potential internal and public metrics for the Executive Committee’s consideration. (Please see Appendix A.)



APPENDIX A: Preliminary List of Dashboard Metrics

Metrics for Internal Use

- A. Financial Measures
 - 1. Revenue
 - a. Earned Revenue
 - Admissions
 - Store sales
 - Café receipts/group admissions
 - Rental/sales gallery
 - b. Revenue by membership level
 - c. Contributions
 - Individual
 - Corporate
 - Foundation grants
 - Events
 - Additional contributed income
 - d. Public funding
 - e. Endowment proceeds
 - f. Real estate
 - Rental income (loss)
 - 2. Expenses
 - a. Exhibition expenses
 - b. Compensation
 - c. Non-compensation
 - 3. Net income (or loss)
 - 4. Size of endowment
- B. Operational Indicators
 - 1. Visits/admissions by venue
 - 2. Rate of return visits
 - 3. Cost/visit
 - 4. Number of new memberships
 - 5. Membership retention rate
 - 6. Educational visits
 - a. Student visits
 - b. Adult visits
 - c. Website visits
 - 7. Number of employees

- 8. Volunteer hours
- 9. Participants in museum events
- C. Programmatic Indicators
 - 1. Size of collection
 - 2. Number of new acquisitions
 - 3. Publications
 - 4. Collaborations with other institutions
- D. Reputational Indicators
 - 1. Data on membership satisfaction
 - 2. Number of new donors
 - 3. Press reports
 - 4. Comparisons with peers
 - a. Growth of collections
 - b. Government/foundation grants
 - 5. Planned gifts

Metrics for Public Display

- A. Financial Measures
 - 1. Size of endowment
 - 2. Revenue from memberships
- B. Operational Indicators
 - 1. Attendance by venue
 - 2. Cost per visit
 - 3. Number of memberships
 - 4. Number of schools served
 - 5. Number of student visits
- C. Programmatic Indicators
 - 1. Size of collection
 - 2. New works on view
 - 3. Number of free events
 - 4. Number of community partnerships
- D. Reputational Indicators
 - 1. Number of new donors
 - 2. Press reports
 - 3. Planned gifts

APPENDIX B: Picasso Exhibition Activities

Plans underway to increase Picasso attendance at SAM

- 11 billboards around the city
- Posters throughout the city
- Banners at the Olympic Sculpture Park
- Advertisements on SAM downtown exterior
- Strong banner presence in the downtown Seattle area
- Use of Pacific Place for SAM advertisements
- Print and online mailings
- “Picasso in Seattle” message: advertising the exhibition as a citywide event
- Picasso Passport program, partnering with restaurants and stores who will offer discounts on related products to SAM visitors
- Use of online purchases to capture visitor information
- Partnership with Costco to offer discounted tickets
- Use of metrics to track progress toward the goals

APPENDIX C:
Marketing and Business Intelligence Ideas
Generated by the Strategic Planning Committee

1. Use the data gathered during past market research studies to target advertising and direct mail for the Picasso exhibition.
2. Use the database from Picasso online purchases to invite people to the Gauguin exhibition, and to other exhibitions and programs.
3. Use market research to understand and optimize the “value proposition” of membership.
4. Adjust pricing to attract attendance during predictably slow periods.
5. Identify and implement measures to increase the percentage of visitors who go to the museum store. (For example, validate parking in the store instead of at the admissions counter.)
6. Apply the lessons learned through REMIX to build younger audiences throughout the year.
7. Use opening(s) and events to attract young people. (For example, promote “Date Night” at SAM.)
8. Use the video record provided by the security cameras to understand flows and popularity of specific works/exhibitions.
9. Reward people for contributing data; for example, give 10 percent off to visitors who buy in store with a credit card.
10. Loan web-cams to visitors to record themselves talking about their favorite painting, and show the videos in the forum so they will bring their friends into the museum to see their video.

APPENDIX D: Business Intelligence at SAM

Business intelligence entails identifying, developing and implementing quantitative processes that take us beyond data reporting by facilitating operational analysis and supporting predictive analytics. These capabilities will provide financial benefits through optimization of revenue streams while ensuring related expenditures are made efficiently. Another important outcome is improved customer service through enhanced customization of communications and program offerings.

Business intelligence is often confused with data analysis. Data analysis is commonly used in conjunction with databases to produce reports and graphics and as such is of great use in providing an understanding of what is happening 'now'. Business intelligence, on the other hand, provides knowledge used to gain insight into the likely behavior of people or processes. Such knowledge may then be used to develop computerized processes that:

- Forecast what may happen in the future
- Classify people or objects into groups based upon patterns detected in the data
- Cluster people or objects into groups based on their attributes
- Associate events that are likely to occur together
- Identify sequencing among events, wherein the occurrence of one event is likely to lead to certain later events

For SAM the strategic objective in implementing a business intelligence program is increasing museum exhibition and program attendance and, in turn, admissions and store revenues, while concurrently supporting the membership program by optimizing capture, retention and upgrade strategies.

Two examples:

- 1) By understanding how differing demographics respond to different programming, we can more accurately target specific markets and deploy the most effective communications tools, which is increasingly necessitated by the decline of the traditional media markets. For example, how do the demographics of the Kurt Cobain/Andy Warhol exhibition attendees differ from those attending the Roman Art from the Louvre exhibition? How do these demographics differ in their response to various communications channels? Can this information help us to more effectively predict attendance levels and determine preferred communications vehicles?

- 2) By understanding in greater detail the demographics and interest of SAM members, we can more accurately identify potential members within the Seattle metropolitan market and of those we can predict which ones are more likely to upgrade their membership levels over time.

This will involve collecting and aggregating demographic data of SAM members and comparing with the Seattle metropolitan statistical data to determine membership saturation levels and which residents/geographic areas most likely to respond to SAM appeals. Having detailed data will also facilitate determining which form of communication will be most effective (direct mail, email, social networking, general media, website) and what programming might prove the best link for capturing the attention of prospects. By understanding the behavioral patterns of our membership base over a multi-year period, we will also be able to more precisely predict which members are more inclined to consider upgrading their membership level. For example, are members who visit SAM 3x/year more likely to upgrade than those who visit once/year? What role does student and adult programming play in their decisions? How many appeals can we make before we experience donor fatigue?

Implementation of a Business Intelligence Program

To establish an effective business intelligence program, there are a number of considerations:

- 1) Deployment of effective customer relationship management software that will capture the appropriate data and enable analysis of data spanning several databases. Over the past few years, SAM has worked toward this goal through the deployment of admissions, retail and fundraising/membership software applications utilizing a common platform, while concurrently improving the integration and capabilities of the applications, including enhanced online capacities. Future improvements will entail adding analytics functionality and further integrating the applications, as well as increasing data storage capabilities as needed.
- 2) Implementing business intelligence will have a life cycle consisting of the phases summarized below. The sequence of the phases is not strict. Moving back and forth between phases, or tasks within phases, is almost always required. It depends on the outcome of each phase as to which phase, or which particular task of a phase, that has to be performed next.

Data Understanding – In this phase, an initial collection of data is studied. Data quality problems are identified.

Data Preparation – the purpose of this phase is to produce the modeling datasets that will be fed into the modeling tools from the initial raw data. Tasks are likely to be performed multiple times, and not in any prescribed order. Tasks include table, record, and attribute selection as well as transformation and cleaning of data for modeling tools.

Modeling – During this phase, one or more modeling techniques are applied to the modeling datasets and their parameters are adjusted to optimal values. Typically there are several techniques from the same problem type. Some techniques have specific requirements on the form of data that will necessitate iteration through the Data Preparation phase.

Evaluation – Before proceeding to deployment, the model as well as the steps executed to create it must be thoroughly evaluated to determine if the stated business objectives have been achieved. At the end of this phase, a decision on the use of the business intelligence results should be reached.

Deployment – Acceptance of the model is generally not the end of the cycle. Even if the purpose of the model is to increase knowledge of the data, the knowledge gained will need to be organized and presented in such a way that the institution can use it. Depending on the requirements, this phase can be as simple as producing a report or as complex as implementing a repeatable analysis process or modifying an existing business system. It should be noted that the implementation of the knowledge gained from the business intelligence project usually requires skill sets and resources that are directed by institutional management, not the project team.

Application Integration – Identify opportunities to incorporate changes in business processes to act upon the results of the business intelligence initiative.

Model Management – Modify and maintain the model throughout its life cycle.

- 3) For business intelligence to be most effective, those charged with executing the program need to be allowed to address the needs holistically, as well as have the

capacity to make recommendations to managers that will be implemented appropriately.

Business Intelligence Committee

It is proposed that a sub-committee of the Strategic Planning Committee consisting of approximately five trustees and community participants be created to provide guidance on the development of an effective business intelligence initiative. The role of the committee might consist of such items as working with SAM staff in determining the scope of the business intelligence initiative and required resources, establishing priorities and key targets, setting milestones, and conducting on-going reviews of the process and results.

It is likely, depending on the desired level of resources, that a first year budget for the project will be at a minimum \$150,000 (this assumes the addition of one full-time staff person, as well as purchasing related analytics software and expanding data storage capacity). It is anticipated that the Business Intelligence Committee will help in the preparation of the final project budget and resource requirements.

While it is difficult to predict with certainty what the return on this investment might be, particularly without yet having established benchmarks, it is useful to note that a 1% increase in FY10 revenues for admissions, the store and membership represented just over \$75K. It will take an initial period of time to determine the magnitude by which these analytics might improve revenues or reduce expenses, so determining a realistic return on investment is not yet feasible, though it can be seen that only a small improvement in financial performance will pay for the initiative. Again, it is anticipated that the Committee would provide insight on targeted opportunities and likely implementation payback.

If we move forward, we anticipate identifying and convening the Committee within the next month, determining final resource needs, and initiating the hiring process of one individual for a full time BI analysis role with a targeted start date of January 1, 2011. Full planning and implementation of the program would commence at the beginning of 2011. Given that business intelligence is an iterative process, it will take some time for the analytics to be established and verified and for a return to be realized. Yet, it is likely that during 2011 we will be able to make a reasonable assessment of the value of the program.

In order to introduce Business Intelligence to SAM, we request approval of a one-year, \$150,000 budget to hire one individual and provide capital for anticipated systems improvements. As part of the June 2011 budget cycle, we will submit a detailed

financial and resource plan for the initiative. However, given project ramp-up and unclear payback timing, it is possible that we will request conditional approval of this June 2011 budget pending assessment of the value of the program, which would be available later in the year.

September 8, 2010

APPENDIX E: Evaluative Criteria for Temporary Exhibitions

INHERENT QUALITY

- Aesthetic quality/meets our highest standards
- Rarity (work not otherwise available to public in Pacific Northwest)
- National/international significance
- Advances art history/produces new knowledge
- Compelling narrative

PERMANENT COLLECTION

- Relates directly to permanent collection strengths
- Fosters relationships within known collecting community
- Stimulates collection growth by inspiring acquisitions (gifts/purchases)
- Something we are uniquely positioned to do
- Complements concurrent exhibition or permanent installation

AUDIENCE DEVELOPMENT

- Broad community appeal
- Potential for growing new/targeted audiences
- Clear relationship to local artistic/creative concerns
- Addresses established audiences (SAM members, culturally inclined residents, etc.)
- Enhances museum's public reputation as a destination for significant projects
- High/unique topicality

FINANCIAL

- Generates earned revenue (admissions, store, membership)
- Fundability (appeals to known sponsors)
- High potential for generating new corporate/foundation/governmental funding
- Potential for charging premium above voluntary admission fee
- Suitable for Special Exhibition Fund support (only until 2013)

INSTITUTIONAL

- Significant international/peer partner (e.g. Centre Pompidou, Reina Sofia)
- Creates long-term, strategic relationships of value to museum
- Promotes original scholarship by SAM curators
- Potential for programmatic and promotional community partnerships
- Celebrates important milestone/anniversary