

AN INTRODUCTION TO AUDIENCE LOYALTY SCHEMES

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What are friends and members schemes?

“A way of connecting like-minded people through a formal structure which gives them specific benefits only available to them.

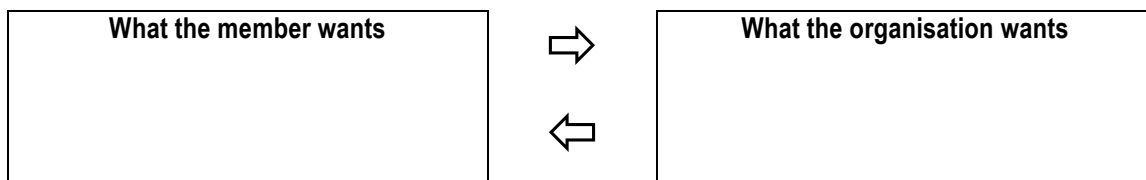
Summarised from Liz Hill and Brian Whitehead, *The Complete Membership Handbook*, (Directory of Social Change, 2004)

“A membership scheme is a product consisting of a range of benefits which are sold by the host organization to its members for a fee... A well designed membership scheme has clear objectives translated into appropriate benefits with both expressed unambiguously to members”

Crispin Raymond, *Members Matter: making the most of membership schemes in the arts*, (Arts Council of Great Britain, 1992)

- Persuade them to attend more often
- Earn money (give more than they get)
- Enable them to raise money for your organisation
- Advocacy (enable them to persuade others to attend or give money)

The transaction:



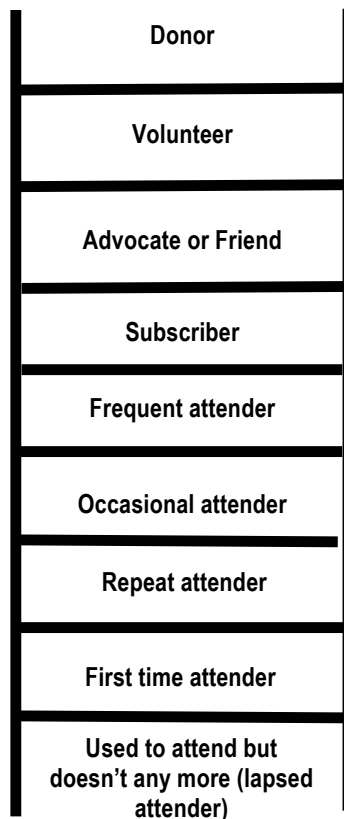
Friends and members schemes are ways of managing your organisation's relationships with its customers. This means it must be part of a wider set of strategies for developing relationships. This wider set of strategies is known as customer relationship management.

What is customer relationship management?

Customer relationship management (CRM) is:

- understanding individual customers' needs
- using that information to make relationships with those customers more productive
- looking at the whole relationship with a customer
- planned and systematic
- investing resources to get a better return

CRM is based on the principle that a satisfied customer will keep purchasing and become a loyal customer.



What does CRM involve?

1. Collecting and storing information about customers
2. Analysing the information to understand customers and dividing them into target groups
3. Deciding how your marketing campaigns need to change to get more out of your relationships
4. Exploring the information to discover new ways of looking at customers

Step 1. Collect and store information

Encourage audiences to book in advance

Make it easy

Reserved seats

Differential pricing for paid for events

Set some procedures for staff

The first question is always “Have you bought tickets from us before?” or “Have you been here before”

Make sure everyone understands why data collection is important

Show staff what the data says about audiences

Set housekeeping procedures as part of everyday work routines

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Step 2. Analyse the information

Understand customers better

Divide them into target groups

Overview: to make strategic decisions and to focus your marketing

Detail: to deliver a more personalised service to individual customers to develop their loyalty and trust

Step 3. Change your marketing campaigns

What did you do in the past?

- how do you communicate?
- how often?
- what do you say?
- what happens as a result?

What do you want to do in the future?

- what really influences customers?
- take a holistic approach (attendance, participation, membership, giving)

Evaluate your marketing so you can see what doesn't work and prioritise your resources accordingly.

Step 4. Explore the information

Don't just base your analysis on your assumptions about your audience. Explore the information to discover new ways of looking at your customers. Find new ways of grouping them so that everyone in that group is similar, has similar motivations and might react similarly to what and how you communicate with them.

Developing core audiences

Ways of increasing frequency

More information: get additional information about an event which persuades you to attend

Subscription: buy a fixed number of set events and get a discount e.g. Derby Playhouse 4 for the price of 2 scheme

Multibuys: choose a fixed number (not as many as a subscription) of events from the season and get a discount

Packaging: buy two or three linked events and get a discount e.g. Birmingham Rep's Director's Choice scheme

Discount cards: buy a card in advance and then get a fixed percentage discount every time you buy tickets

Added value: buy a fixed number of (usually set) events and become entitled to privileges e.g. talks before or after the show, meeting the cast, season launch event, free ice creams etc.

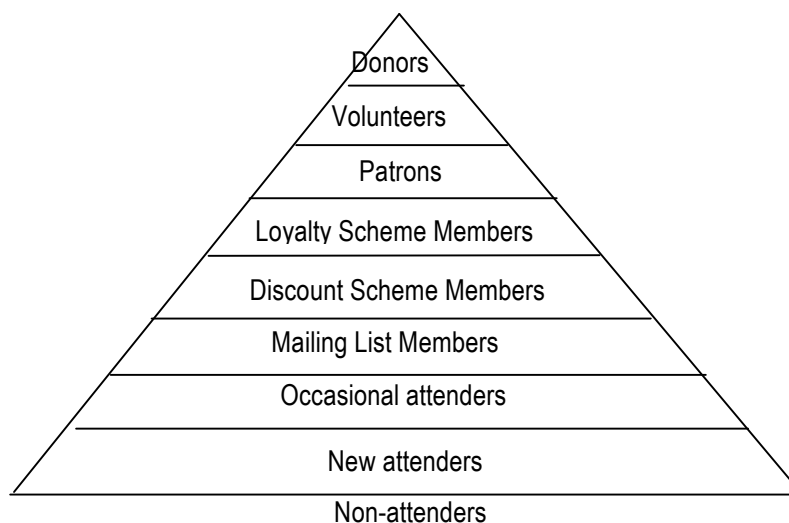
Membership: join a club and feel more involved with the organisation and therefore (hopefully) attend more events.

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Effective membership schemes

The following is taken from unpublished telephone research by Anne Roberts with six English arts organisations running membership schemes.

- Membership schemes depend on a measure of commitment to an organisation or an artform to begin with (a good example of this was the now-defunct national Stage Pass initiative - 80% of those who had bought into the scheme saw it as a way of doing what they did before but more cheaply). We can see the way they work as a pyramid, of loyalty. The numbers of members at each level decrease as they move up the pyramid and become more committed to the organisation.



- Attempting to tempt non attenders from their position outside the organisation to becoming members – even of a ticket discount scheme – is inappropriate. It would be asking them to move five steps up the pyramid in one leap: one step could be difficult enough!
- Research shows that even within loyalty schemes, discounts are the most highly treasured benefit to members, even if they see their membership fee as a contribution towards supporting the organisation. Most people do not do the maths in their heads. Even within a loyalty scheme, therefore, an element of discount is desirable.
- The second most important benefit for members of loyalty schemes is information in the form of newsletters, official documentation, personalised letters etc. Unfortunately, these benefits are also the most time-consuming in terms of staff time. However, the more ‘inside knowledge’ members have about the organisation, the more special they can feel.
- Loyalty, and a desire to support, depends on an organisation earning customers’ loyalty and demonstrating a need for support. Unfortunately, local authorities, except in exceptional circumstances, tend not to inspire loyalty and this kind of support. Loyalty schemes in theatres, work best when the organisation is independent of (even if funded by) the local authorities.
- With ticket discount schemes people appear to require at least a 15% margin on their premium (ie, difference between scheme membership premium and customer’s personal saving should be around 15%). Indeed, the narrower the margin, the more the premium can act as an incentive for increased attendance to cover the costs. (Remember how National Trust members keep a running total of property attendance and breath a sigh of relief when they reach the membership fee).
- The most successful loyalty schemes make a feature of – and charge a high premium for – the thing most in demand within an organisation.
- If members are irritated and annoyed by seemingly thoughtless tinkering with a scheme they feel happy with, they can turn into an organisation’s most devoted enemies. There are two ways around this: firstly leaving a scheme to die a natural death while a new scheme is launched and aggressively promoted until so few

people remain members of the old one that damage is very limited; secondly consulting with the existing membership base and ask for their help to design a scheme to meet both their, and the organisation's needs.

- Value added benefits can increase the feeling of stakeholder-ship and act as good PR for the organisation. For example, giving away bumper stickers, key rings, personal booking numbers, newsletters.

Key characteristics

Crispin Raymond has identified the following characteristics of successful friends and members schemes:¹

Objective: increasing frequency

- This type of scheme seeks to develop and maintain a base of regular attenders by stimulating their interest and making them feel more involved with the organisation.
- Aimed at people who have some level of interest in the organisation
- Can be targeted at specific community groups
- Fees should at least cover the additional costs of running the scheme (you don't want a situation where the more people join, the greater the loss to the organisation). If you have social objectives that mean you want membership to be accessible to everyone then set up cheaper membership rates that only apply to people from particular groups in the community.
- Possible benefits to offer members
 - Regular information about events
 - Cost savings presented as a 'thank you' to members and used sparingly
 - Cost savings on other purchases
 - Priority booking
 - Educational activities

Objective: generating income from membership fees and donations

- Offers membership at several fee levels with benefits which increase as the fees rise
- Aims to develop each member's level of commitment by encouraging them to progress to higher levels in the scheme
- More complex to manage than the previous type of scheme
- People will only donate money to a well-established arts organisation they believe is well-managed
- People are more likely to make donations to a not-for-profit organisation
- Can encourage increased frequency of attendance but this is a side-effect
- The higher the level of commitment, the more unstructured privileges should become e.g. personal recognition by staff
- Fees should be set as high as the market at each level of membership can bear
- Possible benefits to offer members
 - Regular information about events
 - Regular information about the organisation e.g. a newsletter
 - Cost savings on other purchases
 - Priority booking
 - Privileged treatment e.g. superior booking service, superior service such as a private bar, recognized status, special invitations, reciprocal membership of other organizations, graded according to the level of membership fees

¹ Crispin Raymond, *Members Matter: making the most of membership schemes in the arts*, (Arts Council of Great Britain, 1992)

- Social activities
- Educational activities

General points

- Don't offer too many benefits
- Make sure the cost of benefits, including staff time, does not outweigh the benefits to your organisation
- Set membership targets and monitor them regularly
- Don't undervalue your organisation by charging too little for membership
- Test the proposed fee level on a group of potential members
- Test the packages of benefits on a group of potential members
- Specify whether members' guests are eligible for the same benefits e.g. does membership entitle them to one discounted ticket per person or discounted tickets for the whole booking
- All membership schemes need a marketing strategy and dedicated marketing communication tools e.g. a leaflet
- Make sure that someone is responsible for marketing the scheme
- Maximise renewal rates by ensuring members get the benefits you promised and always contacting everyone who does not renew to remind them and identify any problems

Evaluating membership schemes

Objective: increasing frequency:

- Number of members
- Renewal rates
- Frequency of attendance

Objective: generating income from membership fees and donations

- Number of members
- Renewal rates
- Income generated
- Number of members renewing membership at a higher level