Harold Burson, Chairman
BURSON-MARSTELLER/New York

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ANDREW CARNEGIE, WE MISS YOU!

It is a singular honor to be invited to deliver the keynote address to this year's Museum Trustee Conference. While I have not served on a Museum board (and this should not be construed as a bid for your next vacancy!), I have had a long-standing and deep involvement with The John F. Kennedy Center for the Performing Arts. For five years, I had the unique privilege of serving with Carter Brown as a Presidential appointee to the Fine Arts Commission. And as you might appreciate, Burson-Marsteller is frequently on the prospect list -- very frequently! -- as a sponsor prospect, for the account of a client, for museum projects. I feel, therefore, that I have been close enough to your specific area of interest to, at the least, know many of your problems. I wish I could be as equally confident of dishing up the answers.

And I must confess a sense of awe speaking to you at The Carnegie. That original building – it's magnificent. I think all of us would agree. They don't build them like that any more -- and I am old-fashioned enough to believe the world is somewhat poorer as a result. The detail -- the ceilings, the wood panelling, the almost profligate use of space. Andrew Carnegie, we miss you!

This institution, as you may be aware, was Carnegie's first really big league philanthropic effort. Earlier, he had provided funds for the first few of the 2509 free libraries he established. His vision for this original structure at the turn of the century, which he named The Carnegie Institute, was as a great civic center which would include not only an imposing library but also a great museum, a music hall and an art institute. And it came early enough in his philanthropic career for him to be involved in even the most minute details of its planning and design. He once was called on, for instance, to render a judgment bearing on the nudity of some copies of classical statuary that would adorn the building.

"I strongly recommend nude to be draped since question has been raised," he telegraphed the project overseer. "Remember my words in speech. We should begin gently to lead people upward. I do hope nothing in the gallery or hall will ever give offense to the simplest man or woman. Draping is used everywhere in Britain except in London. If we are to work genuine good we must bend and keep in touch with the masses. Am very clear indeed on this question."

As I started preparing for this talk, I couldn't help recalling an oft-quoted statement by John F. Kennedy. "I look forward to an America which will reward achievement in arts as well as business or statecraft. I look forward to an America which will steadily raise the standards of artistic accomplishment and which will steadily enlarge cultural opportunities for all of our citizens, and I look forward to an America which commands respect throughout the world not only for its strength but for its civilization as well."

John F. Kennedy's words were appropriate for his time. They are equally appropriate for our times and even for the distant future. The measure of a civilized people is indeed a factor of its artistic expression -- whether it be its visual arts, its performing arts, its literature.

If we believe this -- and I feel certain we as educated and civilized people do -- if we believe this, we must continue to encourage those with talent to exercise those talents. We must make it possible for talented people to express themselves and we must recognize their work. Similarly, we must make it possible for those not so talented to understand and appreciate those manifestations that reflect our culture and separate the civilized from the barbaric.

As all of you know, that is becoming an increasingly difficult task. While latter-day smaller-scale Andrew Carnegie's continue to appear from time-to-time even today, the occasional Andrew Carnegie simply is not enough. The need for monies to fulfill the classic mission of the museum is exponential. But the money reservoir expands at a much slower rate and with increasing impediments to its access. And I need not tell you that competition for available monies increases quantumly.

This gives all of us -- all of us who recognize the role of museums in society -- and this applies equally to other art forms -- this gives all of us a real challenge. The challenge is how to deal with an increasingly unfriendly and constantly changing environment in which we must obtain funding that will give our children and grandchildren and future generations the cultural experience so necessary to their development as truly educated people.

This is therefore going to be something of a down-to-earth, common sense kind of talk. Simply, I'm going to talk about financial survival. Survival based on capitalizing on all the resources available to you. About identifying and reaching and motivating all your constituencies to provide the funds so vital to achieving your goals. I'm going to talk about marketing -- marketing to the three basic audiences that matter to you; individuals, businesses, government. That's where you get your funding - -from purchasers of the services you offer, from donors and benefactors, institutional and individual.

No need to tell you: you have lots of competition. Competition for time, competition for money. And most often, but not always, your fund-seeking competitors challenge you on both fronts: for the time of the people who walk your galleries or attend your educational offerings as well as for the financial contributions so necessary to the realization of your programs.

Take television. In my home area of New York, I had access ten years ago to seven VHF television channels. Today, I have a cable console that looks like part of a 747 instrument panel. It gives me access to 36 channels. And the day is not far off when I will have 72 channels. Five times the number of program choices as a decade earlier. Are they any better? Probably not. But, certainly, a greater temptation for my time -- a temptation to spend leisure time at home rather than at my local museum.

Not only a demand on my time. But a demand on my resources, both individually and corporately, to fund public programming. Who among you has not been implored to keep your favorite PBS program on the air by calling an 800 number?

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A question the museum manager or the museum trustee should ask is "why have these other diversions been so successful?" All too frequently, there's a simple answer when, indeed, they are successful. The answer is that they know what their audience -- their market -- wants and they're giving it to them. What they want, when they want it, in the form they want to receive it, and at an affordable price that has an acceptable cost/benefit relationship.

This is a concept the museum can apply with equal success. The task is to overcome the competition -- to rise above what we in public relations and marketing call “clutter”. And that is done by knowing your audience (your market), knowing what it wants and knowing how to tailor your offerings to what your audience wants.

Over simplified? Probably so. But true nonetheless -- for a museum just as much as a consumer product.

There are some 7000 museums in the United States of which 5000 are fully accredited. Most of them, I would think -- even some that are not accredited -- merit patronage; and they merit funding. But I as an individual and I as a corporate officer am not obliged to attend their exhibits nor can I be forced to contribute to their fund raising campaigns.

The question: how do you, in carrying out your museum management mandate, persuade me to visit your institution? How do you persuade me to contribute not only my money but my time? How do you make me choose your museum instead of other equally worthy causes: my own or some other university, the local hospital, the ballet company or perhaps another museum?

The answer is that you must position and present your museum in a way that makes me want to attend, that makes me want to participate, that makes me want to contribute. But make no mistake: this is not at all a new concept to many of you. Already, you collectively must be doing something right. A startling snippet of information I stumbled anto while researching this talk: museum attendance in 1986 (the latest year for which figures are available) exceeded the combined attendance of all professional sports put together. Just think of it: more people at The Carnegie, the Metropolitan Museum, the National Gallery, the Smithsonian, the Art Institute than at the Steelers, the Yankees, the World Series, the Super Bowl, the U.S. Open.

Yet, every day you and your associates must persuade all of us -- the young, the old; those who know art, those who don’t know art; males, females; the white collars, the blue collars and, now, the no collars -- you must persuade each of us that there’s a benefit for us to stroll through your galleries, to snack in the museum restaurant, to patronize your gift shops.

Your first need is to recognize that your market is not monolithic. And that applies equally to those who visit your museum and participate in its educational programs and those who support you with contributions. Audiences for all manner of products and services -- and, yes, causes and philanthropies -- have become more specific in their needs, more specific in what will motivate them to respond. In the language of marketing, the phenomenon is known as “market segmentation.” What it means is that there is no single market; rather, the market is an accumulation of sub-sets, each with its own special characteristics, each with its own needs.

In the past, a museum may have been able to present itself as all things to all people. Today it must increasingly posture itself as different things to different people. The needs of a class of pre-schoolers differ vastly from the needs of senior citizens or university researchers. You must learn to appeal to each segment.

Marketing is the art of finding out what the customer wants, fashioning a product or a service that meets that need and convincing that customer you have what he wants at a price that is reasonable and affordable.

And it is an ever-changing process. The needs of people change constantly. But the successful marketers, whether they be museums like the Smithsonian or the National Gallery or consumer products like soft drinks and soap, adapt themselves to those needs. It may be surprising to you to learn how many consumer brand market leaders in 1923, sixty-five years ago, are market leaders today. Brands like Ivory soap, Campbell’s soup, Johnson & Johnson baby care products, Kellogg breakfast cereals. Each successful brand changed with the times while retaining their personal values offering beauty, caring, health and nutrition. These brands have, in effect, established public franchises. A museum can -- and frequently does -- do likewise, whether it be on a local, a national or an international scale.

Your first requirement therefore is to structure a program that conforms to the needs of your many constituencies. To each of those constituencies you must demonstrate your relevancy. Because only after demonstrating your relevancy can you hope to get the financial support you require. From those who attend your exhibits; from donors and benefactors both private and public.

A few words on the environment for raising funds. No longer is it as friendly as it was just a few short years ago. This gives me -- as one committed to support for a broad range of cultural pursuits -- considerable concern. I think the unfriendly environment applies equally to each of your main funding sources -- the monies you receive for services, whether for admission or for products and services on sale at the museum or contributions from donors or from public tax funds.

First, the environment for increasing your revenues from services provided by the museum. Earlier, I mentioned increased competition for the time of your patrons -- television, movies, the performing arts, sports, other museums ad infinitum. On the plus side, we are told that leisure time will expand in future years -- and it will, for some people. But how much has leisure time expanded for the working mother -- all too frequently today the head of a single parent household.

Another factor that concerns me is the cost for a family to visit a museum -- whether it be a fixed admission price or a suggested contribution. Within the past six weeks, I had a free Sunday afternoon in Sydney, Australia. As many of you know, the Sydney Zoo is one-of-a-kind, with the world's largest collection of marsupials -- not to mention its koala bears. I debated going to the Zoo on a sunny Sunday afternoon -- whether fighting the crowds was really the right thing to do. I went to the Zoo. There were no crowds. The reason: it cost me nine Australian dollars for a ticket -- while that's the equivalent of seven U.S. dollars it's nine for an Australian. The price for a children's ticket was five Australian dollars. I didn't see many families at the zoo that Sunday.

Each of you who participates in the funding process for museums has a dilemma. You are in a cash squeeze for operating funds. Admissions can be a significant source of revenue. At the same time, your relevance to the community -- indeed your basic mission -- is to appeal to and attract a broad audience. Pricing is a critical issue.

I'm equally concerned about the environment in which you are seeking contributions. For purposes of simplification, I think there are four classes of donors (which themselves can be sub-divided). The first are individuals, some substantial donors, others on a lesser scale. The second

-- and the one I know best -- are the corporate donors. The third, foundations. The fourth (and this does not pertain universally) governments at various levels.

Here again, competition -- unbelievable competition for funds. Let me speak primarily from the vantage point of the corporation. Not only do I know that sector best but it has, in the latter half of the Twentieth Century, been an ever-significant factor in the support of cultural undertakings in the United States.

One of the great strengths of our nation is that we encourage diversity. In New York, we do not have a single substantive art museum or even two or three; we have maybe two dozen that merit critical attention and support. We have at least a dozen substantive dance and ballet companies. And we have seen the proliferation of the arts clear across the country in the past quarter century. Not only art museums, but the performing arts as well -- theater, opera, music, dance, you name it. Now, clearly, some groups are marginal. But even they have their constituencies who seek support. And the result, all too frequently, is a fragmentation of the corporate contributions budget.

One factor that is adversely impacting both individual and corporate giving is, ironically, the lower Federal tax rate. It now costs more to give away money -- even when it's fully tax deductible. You aren't likely to get many people to admit it: but I think more and more of us are apt to consider the net cost of a contribution -- the after tax cost of a gift. And that will, I predict, all too frequently result in a reduced contribution. When you go home, find out how many of your regular contributors mailed their 1987 contribution checks before the close of calendar 1986.

Another factor affecting corporate contributions -- and likely to intensify -- is the general pressure to reduce costs to maintain world market competitiveness. Contributions are a cost of doing business. I see in my work that contributions are undergoing closer scrutiny. The question frequently asked is "how do we -- the XYZ Corporation -- benefit by giving to this particular organization?" That's a question all of you should be prepared to answer. I'm positive you'll get such a question -- if not already. Increasingly, there must be a quid pro quo -- developing that quid pro quo while retaining your professionalism and integrity is a problem that you must concern yourselves with.

Unfortunately and regrettably from my vantage point, I am troubled because I think the arts -- all cultural institutions -- stand a real chance to suffer from the reviews of contribution practices that are taking place throughout the corporate world. The question that's being asked by senior managers is "how relevant are they to us -- to our company?" My observation is that corporations will continue to support local institutions -- institutions where their corporate headquarters are located and in other locations where they have large employee concentrations. But they tend to be resisting or reducing their support for the national and what they identify as the marginal organizations.

While the corporate contribution budget is not lower -- nor is it likely to be -- it probably won't increase at the rate of the past. On the other hand, there's still a vast untapped market of corporations that have had minimal contribution budgets -- and they are, in my view, a fertile source of future funding. But you should know that your primary competition is not the museum on the other side of town or even one in New York or Washington. Your competition is more likely to be your local hospitals and the educational institutions most closely identified with the donor.

Increasingly, corporations are developing tightly-drawn criteria -- guidelines that influence their giving. X per cent to health care, Y per cent to education, Z per cent to the arts. In this they are following the example of Mr. Andrew Carnegie himself, who in the late 19th Century characterized himself as a "scientific philanthropist." He went so far as to list, in descending order, "the seven specific fields of philanthropy in which the wise trustee of surplus wealth would invest" -- it's interesting to me that Carnegie used the word "invest" in this context.

For those of you who are curious: here's Andrew Carnegie's list, in his own words, of his seven philanthropies -- in order of descending importance: (1) universities -- the founding of universities, of course, being possible only "by men enormously rich"; 2) free libraries -- he said that, for himself, this "occupies first place"; 3) the founding or extension of hospitals and other institutions connected with the alleviation of suffering; 4) parks; 5) halls suitable for meetings, concerts, etc.; 6) "swimming baths"; and 7) churches -- but only the building, not the maintenance of church activities, which should be borne by the entire congregation.

To return to the real world: let me express another concern that could have substantial impact on your ability to fund your institutions. And that is what seems to be an inexorable trend by the Federal government to intrude on your tax exemption for activities that are extensions of your basic museum operations. This, I think is something that all of you, collectively, should take seriously -- and should act on before it's too late. I suspect many of you read the article on this subject in THE NEW YORK TIMES just a week ago today (May 27, 1988). For many museums this is a growing and, even today, a not inconsiderable funding source. The article in THE TIMES reported that it represented nearly 14 per cent of the operating income of the Metropolitan Museum of Art, more than $9 million.

Presumably, this is a subject of active interest not only of this Association but of all not-for-profit institutions including hospitals, universities and others. Properly presented to those in the Congress and in the Administration who will be responsible for the ultimate decision, this, I think, is an issue that can be resolved in your collective favor. But I caution you that it won't have that favorable result unless you fight for it in an organized and persuasive manner.

Before summarizing what I have tried to say this morning, let me share with you one glint of sunshine that I feel could work to your advantage. And that has to do with corporate sponsorships. There's an increased interest in all manner of corporate sponsorships -- starting with sports, but certainly including the artistic and the cultural. Corporations want to be known as good citizens, responsible citizens. They want to communicate this on a personal level -- and they recognize that this cannot always be accomplished through conventional advertising channels. Accordingly, a big business is growing up around sponsorships. And many museums -- not always in large population centers like New York and Washington -- are benefiting.

Sponsorships are valuable to corporations in direct proportion to their ability to attract large crowds of the right people and lots of media recognition. Both the National Gallery and the Metropolitan have recognized this new market for their services and this new and growing source of funding with some of their blockbuster exhibits like the Vatican Art, the Egyptian exhibit, the Chinese art treasures, the stately English homes -- and many more.

This marriage of blockbuster exhibit and sponsor does not happen by accident. It is a product of scholarship and creative marketing -- in knowing what will attract attention of the public (or a specific segment of the public) and the media and taking the initiative to bring it all together. The really daring and bold "packages" are not lacking for sponsors. The fact is that would-be sponsors are out there waiting for the really exciting. I would urge you to think more in those terms -- and it works at the local level as effectively as at the national or international level. And best of all, the great gainer from a successful exhibit is the museum itself -- both short term and long term.

Let me try to summarize what I have said this morning: First, that what all of you are doing -- your commitment to museums across the nation -- is both important and necessary. A critical element in the development of educated and civilized people.

Second, that you are under enormous pressure to provide the funding necessary for your institutions to carry out their missions.

Third, your funding can come from the sale of your services -- admission fees and other services -- and from the contributions of donors. These donors include individuals, corporations, foundations and, in some instances, various levels of Government.

Fourth, museums -- as with other institutions in our society that depend on public funding -- must systematically employ a marketing process that determines what the museum's publics want and expect from the institution and responds to those desires in a manner that is appealing, acceptable and affordable.

Above all, the museum must establish its relevance.

Fifth, museums face great competition -- not only from other museums but from other distractions that range from exponentially expanded television offerings to a surfeit of sporting events. Competition is in two areas: 1) for the time involvement of people -- those who would visit the museum, whether of school age or retirees and 2) for the funding that makes possible your programs -- from individuals, corporations, foundations and government alike. This competition is not likely to decrease.

Sixth, the environment for contributions is not nearly as attractive as it was pre-1986 Tax Reform Act. The lower tax rate is likely to have an adverse effect on both individual and corporate giving because of its greater net cost to the contributor.

Seventh, corporations increasingly are establishing criteria to govern their contributions. The "arts" are likely to suffer as sophisticated corporate contributions officers apply a benefit/relevance yardstick to their contributions. Museum officers must be prepared to offer a "benefit" to the substantive corporate contributor.

Eighth, there is a market for corporate sponsorship for exciting exhibits that have the potential for attracting public and media attention. This cannot only provide revenues but can bring wide acclaim to the museum and its program.

Ninth, there is a strong likelihood that your tax free status will erode for revenue-producing services which are challenged by the taxing authorities as not being basic to your mission as a museum. This, if acted on effectively, need not come to pass.

Let me close with a statement from Andrew Carnegie: "It is not expected that there will be general concurrence to the best possible use of surplus wealth. ... There is room and need for all kinds of benefaction for the common weal."

Certainly, Mr. Carnegie did his share in benefacting what he called the common weal. In his lifetime, which ended August 11, 1919, he gave away $332 million dollars -- the equivalent of $4.66 billion in 1988 dollars.

Andrew Carnegie, we miss you!

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