



Michael Kaiser
Keynote Address
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Thank you, Mr. Rice.

It is a great pleasure to be here in Seattle today. This is one of the most remarkable arts communities in the nation and the attendance at today's event certainly indicates the great interest in culture and the humanities in this city and this state.

I have had the privilege of witnessing the arts first hand throughout the nation over the past year. I am towards the end of a 69 city, 50 state tour talking with arts leaders about the current economic crisis, approaches to address this crisis and pitfalls to avoid. To date I have been to 54 cities, including both Seattle and Tacoma. I will complete my tour in Boise, Idaho on July 16th.

I have learned a great deal from the artists, arts managers, board members and politicians I have met across the nation. I have also learned which regional airlines have the most leg room, the benefits of Applebee's over Chili's and the challenges of getting from Lincoln, Nebraska to Pierre, South Dakota.

While the tour is not finished, I certainly have observed trends and patterns that I would like to discuss today.

First, and most important, I have observed the vitality of the arts in our nation. In every city I visited, there are theater companies, orchestras, dance companies, and museums creating important work for their communities. From Bismarck, North Dakota to Meridian, Mississippi there are vibrant artists, arts organizations and arts educators inspiring their constituents. Anyone who believes that the arts are not a central part of the lives of Americans should embark on the tour I have been lucky enough to take this year.

And the arts have proved remarkably resilient over the past two years. A year ago there were predictions that 10,000 of our 100,000 not-for-profit arts organizations would go bankrupt during this recession. The truth is nowhere near that number will, in fact, succumb. Arts organizations have learned to be flexible, to do a great deal with very little and to cope with less.

We belong to an amazingly tough industry.

But we have not done a very good job of communicating to a broad spectrum of the population about the joys and rewards of participating in the arts.

We must recognize that our function is to inspire, entertain and educate our communities.

We have spent so much time complaining about our plight and focusing on our financial challenges that many people do not want to interact with us anymore. They have come to us for respite but we have not been as accommodating as we need to be.

We talk about money in the press, to our audiences, to our donors and especially to our board members. Our board meetings are almost entirely devoted to discussions of cash flow and income statements. We forget to discuss what we do for our communities, how much fun it is to come to an exhibition or performance, or how we educate our children to be creative thinkers. Then we are surprised that people stay away and, worse, do not introduce us to their friends and associates.

We must return our focus to our contributions to the community; few people really care about our problems. They have problems of their own!

Another key issue of concern across the nation is ticket pricing.

We in the arts suffer from two economic problems that have a serious impact on our financial health. The first is our trouble improving worker productivity. While other industries cover some of the costs of inflation by improving worker productivity, we do not have this advantage in the arts. There is the same number of people in *Hamlet* as when Shakespeare wrote it 500 years ago and we do not play Beethoven's Fifth Symphony faster every year. As a result, our costs increase far more quickly than in other industries. Some people, including many board members, might feel our costs rise because we are being wasteful. In fact, there is a widespread belief that all artists are profligate and arts organizations do not control their expenses. In fact we are a

very efficient industry; we do a great deal with very little. We simply have a productivity problem.

The second economic problem we must acknowledge is that when we build a theater or museum, we literally set the real earned income potential in cement. I remember bringing the Alvin Ailey Company to perform at the Herod Atticus, a beautiful Roman amphitheater built into the base of the Acropolis in Athens, Greece. My dancers were thrilled to dance in this gorgeous outdoor venue, with the Parthenon lit up by the moon above the shoulders of the audience. I only stood on stage and marveled that the number of bleacher seats had not increased in 2000 years - no increase in real earned income potential.

This combination of rapidly increasing costs and fixed real earned income has created a gap that grows every year. How we fill this gap is the major challenge to arts managers and board members.

One popular approach we have taken to filling this gap for decades has been increasing ticket prices. Unfortunately we have increased prices so fast that we have disenfranchised huge portions of our potential audiences who have come to believe that the arts are irrelevant to them. The Metropolitan Opera recently announced pricing for next season. Two top tickets for a standard performance cost \$750. This is enough to buy a computer - one can watch Leontyne Price and Maria Callas on YouTube for free forever. Watching a computer screen does not give the same experience as sitting in a theater. If it did, many of us would not be here today. But many people are deciding that it is close enough given the pricing disparity. Our pool of potential audience members, donors, volunteers and board members is shrinking as a result.

Every day the Kennedy Center gives a free performance. The diversity of our audiences is astonishing. Just last month we produced a festival of gospel music. We did not have fewer than 2,000 attendees at each of the free performances. And every year we host an Open House in September when all of our nine performing spaces feature free performances all day. Over 30,000 people come on that special day. And the longest lines are for the two art forms we are told are most irrelevant: symphonic music and ballet. The arts are not irrelevant, they are simply too expensive.

As I am learning on my tour, we must address our ticket pricing if we want the broader community to believe the arts are accessible to all and important to support with private donations and public funding.

But my experiences on tour indicate that both boards and staffs do not appreciate what it takes to be a vital, successful arts organization.

Naturally, in a recession, attention turns to cutting costs as revenue falls. But the notion that an arts organization can 'save its way to health' is simply wrong. Doing less work, doing less interesting work and cutting back on marketing are ways to ensure that next year, revenue, both earned and contributed, will be reduced, and that other, more vital organizations, will receive a larger share of the money available for arts organizations. Too many arts organizations have had the creativity beaten out of them. They have played it safe. They are doing more accessible work, and failing to surprise and enthrall their audiences. If too many arts organizations only play Beethoven, perform *Phantom of the Opera*, or dance *Swan Lake*, we will look boring and unimportant to our communities. We *will* be irrelevant. We must be willing to invest in large transformative projects. We must work in partnership with other organizations if we do not have the resources to mount major projects on our own. We must be willing to take risk and do the kind of work that inspires and excites people once again.

The most exciting project I observed this year was a visual arts project in Grand Rapids, Michigan. Michigan is perhaps ground zero for the recession but one young man created a project that electrified his city and region. He invited any visual artist who wanted to come to Grand Rapids and show their art. He got every bank, corporate office and public building to agree to house the art for two weeks. There was art all over Grand Rapids. There were works on paper, large outdoor sculptures and everything in between.

Over 1500 artists came and showed their work. The public was allowed to vote online for their favorite works of art. Tens of thousands of people did so. The hotels and restaurants were filled. Everywhere you looked in Grand Rapids, there were people discussing contemporary visual arts. It was amazing. Not surprisingly, ArtPrize was covered by many major American newspapers and donors are lining up to underwrite this year's endeavor.

It is this kind of exciting, new, dynamic project that makes a community believe the arts are vital and exciting and inspiring. We need to appreciate that reducing the quality and quantity of our art accelerates the fiscal challenges we encounter and do the work that will attract the donors and audience members who make us financially secure.

Consistently producing exciting art requires taking the time needed to plan the project, attract resources, and market effectively. I find on my tour that many people

are suggesting that during this period of economic uncertainty, we must refrain from planning far in advance. They argue that they have no idea what resources will be available in the future and therefore cannot plan artistic endeavors more than one year in advance.

I could not disagree more. I know that taking three, four or five years to plan a project gives me the time I need to make it excellent. I can identify the performers, directors and designers with whom I want to work. I can also take time to find the donors excited by this project. Too many arts managers try to convince any donor they meet to fund their next project. I rather listen to a donor, hear what they are interested in funding, and pick from the menu of projects I am planning for the next five years that project most likely to excite them. I promise this approach increases the odds of receiving a major gift.

Taking multiple years to develop a project also gives the time needed to develop marketing materials and educate the audience. The largest project we presented at the Kennedy Center last year was a festival of Arab culture. We mounted this project because we felt that Americans know far too little about Arab people and we believe that arts and culture are the most productive way to learn about other people. We took five years to select the appropriate artists, design the exhibitions, raise the funds required, and educate our audience about the beauty and richness of Arab culture. Just getting visas for the 800 performers took a year; try bringing so many people from the Arab world to Washington, DC at one time! In the end, we raised the entire 10 million dollar budget and sold 92% of the seats for the festival. During the height of the recession we did a project one could hardly term accessible or safe. But we did so much to fulfill our artistic and educational missions.

If arts organizations do not plan for major projects three years from now, the recovery of the economy will pass them by and they will not be in a position to exploit the increased funding potential while their peers with vital programming will receive the bulk of available funding.

When these exciting projects are marketed aggressively, we have an opportunity to bring new members into our organizational families. When people are excited about our work, they want to be audience members, subscribers, volunteers, donors and board members. Thriving arts organizations are constantly welcoming new members into their families. They make it fun and easy to become affiliated. Stagnant organizations, on the other hand, hold on for dear life to those few family members they have. Over time, however, people die, move away, lose their jobs or find other interests. The organizations that do not consistently welcome in new family members

find their bases of support dwindling over time. This is clearly not an approach that works.

But when arts organizations consistently produce great art, market well and build their families, they find their revenue increases. When this extra revenue is invested in more great art and marketing, they find themselves the beneficiaries of a self reinforcing cycle that makes every participant happy.

Unfortunately, too many arts leaders, both board and staff members, do exactly the opposite during a recession. They cut programming, both artistic and educational, and marketing to address a short-term financial problem. This reduces family size and revenue, so they cut programming and marketing even more, lose more revenue and so on and so forth. Over time, they look weak and irrelevant.

I used to run the Royal Opera House. When I arrived in 1998 the Opera House was the poster child for sick arts organizations. Our deficit was 30 million dollars! The board, in its wisdom, decided to cancel every performance for 18 months. With no programming at all, there was little reason to contribute to the organization and no opportunity to buy tickets. Revenue disappeared. I, of course, had to reverse this decision.

But good programming, unfortunately, is not enough to guarantee success.

Arts organizations must make their programming visible and must entice the community and potential donors to support their work.

As I have learned on my tour, too many people believe that marketing is only about selling tickets. So their marketing efforts focus on advertisements, direct mail, email blasts, etc. These activities, which do help create earned income, I call programmatic marketing. Arts organizations have done a good job of creating programmatic campaigns though I observe that too many do not differentiate enough between the marketing needs of different types of programs. Most arts organizations have a template for marketing every project: they do three advertisements, a direct mail post card, a radio spot and two email blasts, for example.

But some programs require almost no marketing to sell out: Plácido Domingo in concert, for example. Others require a great deal more information: a new play by an unknown author, for example. These more challenging ventures need what I term missionary marketing – they require much more detailed explanations than can be accommodated by a poster or simple advertisement.

We must save money on marketing the first type of program to invest in the second.

And we must appreciate that online activities are our new best friends in creating visibility and educating audiences. We can reduce the amount we spend on programmatic marketing by using email, web sites, social networking sites, etc. to their full potential. People are getting their information in new ways - that is why newspapers are going bankrupt - and we must recognize it.

But we must also invest in a second type of marketing, institutional marketing, that creates excitement for our organizations as a whole.

Shortly after I arrived at Alvin Ailey, the author Alex Haley died. We received hundreds of letters of condolence because people thought Alex Haley was Alvin Ailey. I realized we had a major image problem if people thought we wrote *Roots* in our dance studios.

So we embarked on a substantial institutional marketing campaign that included appearances on the *Phil Donahue Show* and at President Clinton's first inaugural gala, an exhibition at the Smithsonian, a free concert in Central Park, the naming of our street Alvin Ailey Place, the publication of two books about the organization and a huge gala celebrating our 35th Anniversary with Jessye Norman, Al Jarreau, Dionne Warwick, Denzel Washington, Maya Angelou and many others.

Over a twelve month period, everywhere you turned there was the Ailey Company doing something exciting. No one of these events changed the history of the Ailey organization. But taken as a package, we created a new level of excitement and understanding about the organization.

Not surprisingly, ticket sales and tour invitations increased while programmatic marketing costs fell. But more important, our fundraising doubled in one year and we were able to pay off the entire historic deficit in 1993!

Why did fundraising increase? Because as they learned about the vibrancy of Ailey, more people wanted to be attached to the organization, as donors, volunteers and board members. Our family grew considerably in 1993.

But more important, our board members were so proud of the organization that they wanted to involve their friends and associates. When I arrived at Ailey, and we were virtually bankrupt, I met with each of our 36 board members and asked who they knew who could help us. Surprisingly, not one board member had ever met another human being.

After we mounted our institutional marketing effort, they had met thousands of friends they wanted to bring into the Ailey family.

This is one of the most important by-products of institutional marketing. It helps to erase the embarrassment that many board members feel about us.

This embarrassment school of board membership is rife, as I am learning on my tour. So many board members love their organizations but are embarrassed to involve friends because of the tremendous financial problems, board bullies who dominate meetings, typos in thank you letters, etc.

What I learned from my Ailey experience is that to get a board to participate fully we must make them unembarrassed. Great programming supported by great institutional marketing is the key to doing so.

Many people believe that only large famous organizations can do institutional marketing. Many people on my tour are amused by my stories but do not believe they can do institutional marketing for their organizations. Yet I instituted an institutional marketing program at the Kansas City Ballet, a mid-sized ballet company in Kansas City, Missouri in the mid 1980s. We had a tag line at the Kansas City Ballet: the company that can't meet payroll. I knew I had to change this reputation.

So we put a television news anchor from the local NBC affiliate on our board. His board contribution was to put us on his show 4 times a year. We also negotiated a debut tour to NYC, mounted a Balanchine ballet that had not been danced in over 20 years, built a relationship with the Ailey organization, appeared three times a year on an early morning television talk show and on and on. We paid off our entire historic deficit with the extra revenue earned in just ten months!

Importantly, most of these activities for the Kansas City Ballet and Ailey did not cost us a penny. Rather, it took time and creativity and using the relationships we had formed in an entrepreneurial fashion.

We must learn to create a vibrant image for excellence and excitement.

While the economy is in such disrepair we must remain true to our missions.

Those organizations that hide, shrink and become boring will suffer from this recession long after it is over.

But those which plan ahead, make great exciting programs, build strong images and excite their board, staff, donors and audience will find themselves leading the pack.

It seems a simple choice to me.

Thank you very much.

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