

Analysing the Market

One of the key fundamentals of the development of marketing focus is the importance of understanding consumers and their needs and desires. To develop effective marketing strategies we need to understand how people feel about the arts, and about specific arts and entertainment products and services. We also need to understand consumers' interests, motivations, fears, and aspirations.

Understanding Consumer Needs

Consumer behaviour is the study of what people want, how they make decisions, what factors influence those decisions, and how they evaluate their satisfaction with products and services. It also provides an opportunity to identify areas of unmet demand and the potential for new or improved products and services.

The study of consumer behaviour is interesting because of the unique individuality of each consumer. No two people are exactly alike. They have different needs, interests, goals, and fears. They respond differently to advertisements, and to products.

Consumer behaviour is based on needs satisfaction and decision making.

Maslow's Hierarchy of Needs

Needs can be classified in a variety of ways. One of the most popular theories on consumer behaviour was developed by A.H. Maslow. His theory was that because people have so many needs, they give order to them and satisfy those that are most important first.

In order of importance, Maslow classified them as:

- ◆ physiological needs — food, shelter, warmth;
- ◆ safety needs — freedom from pain, security;



- ◆ love and belongingness needs — the general desire for acceptance;
- ◆ esteem needs — to have prestige and the respect of others;
- ◆ self actualisation — to continue to develop one's self.

Most of the activities of arts and entertainment organisations are centred around the three highest levels: love and belongingness (e.g. popular festivals, ethnic celebrations); esteem needs (e.g. reserved seating at the theatre); self-actualisation (e.g. guided tours of blockbuster exhibitions).

Consumer Decision Making

Consumer decision making involves four stages:

- ◆ **Identification of a need** ('I've had a stressful week. I want to go out on Saturday night').
- ◆ **Gathering information on alternatives** ('I can visit friends, go to the pub, go into the city, visit a local cinema, go out for dinner, or go to the theatre').
- ◆ **Assessing alternatives** ('I'd like to be with other people, so I'll see what my friends are doing, and if they are going to a cinema or pub I'll go with them').
- ◆ **Making and implementing the decision** ('I've called John and Sally, they want to see the new release film at the cinema centre. We will all meet there at 7 pm').

As the above examples indicate, decision making can be affected by others and group decision making can mean that members of the group compromise on final outcomes. Financial considerations may also affect decisions.

Market Segmentation

Given the complexity and uniqueness of individuals, it might seem difficult, if not impossible, to group them into categories. However, broad classifications are possible, and the identification of market segments is an important part of marketing strategy.

Approaches to consumers can take a variety of forms:

- ◆ Mass marketing.
- ◆ Differentiated marketing.
- ◆ Target marketing.
- ◆ Niche marketing.

Mass marketing

Trying to appeal to the widest cross-section of the population with the least number of products.

Differentiated marketing

Developing several products which appeal to a wide range of the public. For example, a community orchestra may plan two concert programs, one of classical music and one of popular music, hoping that most people will be attracted to either one or the other.

Target marketing

Identifies sub-groups within a large market and develops products to meet those needs. For example, the cinema complex may plan a school holiday program which includes afternoon showings of new release children's films, Disney classics, and children's adventure films. They may even include special entertainment such as on-stage appearances of Disney characters.



Niche marketing

Like target marketing, niche marketing aims at specific markets, however it is more focused, and aimed at smaller, more specific population groups.

Most organisations recognise the importance of segmenting markets and identifying who their customers are. In its simplest form, many organisations design an annual program to include a balance of mass, target, and niche markets.

Identifying Target and Niche Markets

There are a number of ways to define markets. Perhaps the most common are:

- ◆ Geographic.
- ◆ Demographic.
- ◆ Psychographic.
- ◆ Behavioural.

Geographic

Geographic segmentation means dividing the market into different geographical units such as States, regions, cities, or suburbs. For example, a suburban cinema complex may attract customers from within a particular radius of the centre, but rarely receive visitors from outside the community.

Demographic

Demographic segmentation consists of dividing the market into groups on the basis of demographic variables such as age, sex, family size, education levels, ethnic origin, income, or occupation.

Age distribution, for example, can be used to decide whether a school holiday program aimed at very young children (aged 6–8) will be more popular than one aimed at older children (aged 10–12). Information on the number of children in various age brackets, where they live, and the income of families will assist in estimating potential attendance numbers.

Psychographic

Psychographic segmentation provides insights into the social class, personal values, stage in family life cycle, and attitudes of consumers. In Australia one of the most commonly used classification systems for psychographic research is the Roy Morgan/Ogilvy & Mather Values Segments. The values segments are commonly used in major research in the arts and entertainment and tourism industries.

There are 10 values segments which identify how groups of Australians think. Based on a series of carefully worded questions, each segment provides an insight into a 'mind set' describing individuals' perceptions of themselves. Psychographics link people by how they 'see the world' and how they live their lives.

Behavioural segmentation relates specifically to the patterns of behaviour of target groups in relation to specific products. For example, frequency of attending arts events and attitudes towards various artforms.

The 10 segments are:

**1. Basic Needs
(4% of the population)**

Refers to the pattern of responses from people who hold traditional views of life, enjoy passive activities, and are fairly satisfied with their life. These people are generally retired, pensioners, widowers, and people with low incomes.

— *continued*



-
- 2. A Fairer Deal (5% of the population)** Refers to people who are relatively dissatisfied with their lives and includes the highest level of unskilled workers. They are pessimistic, cynical, and insecure. They think everyone else has all the fun and they miss out. Anger, disillusionment, and often hostility to authority lead to a desire to fight back against the system.
-
- 3. Conventional Family Life (12% of the population)** Life revolves around the home and giving children the life opportunities they deserve. They place a high value on time with family and friends. They strive for financial security and see making money as a way to improve their lifestyle and make things more secure for their children.
-
- 4. Traditional Family Life (19% of the population)** These are the over-50 'empty nesters'. They retain a strong commitment to family roles and values and are interested in their extended family and grandchildren. Life centres around home, garden, and traditional activities and they are very cautious about new things and ideas.
-
- 5. Look at Me (13% of the population)** Young, active, and unsophisticated, they are self-centred, peer driven, and looking for fun and freedom away from the family. They seek an exciting, prosperous life, and are primarily unmarried with no children to worry about. They are fashion and trend conscious, and are active socially. They are not interested in causes and political activity, but take their sport and leisure very seriously.
-

— *continued*

-
- 6. Something Better (8% of the population)** Probably well-educated, they have a responsible job, feel confident, ambitious, and see themselves as progressive. They want all the good things of life and are prepared to overextend themselves financially to have things now rather than wait until later.
-
- 7. Real Conservatives (7% of the population)** They view themselves as conservative in most things. They are asset rich, but income poor; they are interested in security, tradition, and stability. They hold conservative social, religious, moral, and ethical views.
-
- 8. Young Optimists (8% of the population)** They are generally optimistic about the future and most likely to view themselves as middle to upper-middle class. They are today's students, computer technologists, and young professionals. They are focused on building their career, travelling overseas, and setting up their own flat.
-
- 9. Visible Achievers (16% of the population)** Generally over 30 years of age they enjoy above average incomes, want personal recognition of their success, and are interested in gathering about them all the visible signs of achievement. They believe they are in control of their lives and they take an interest in public affairs and politics. They have a strong focus on themselves and their family's needs and desires.
-

— *continued*



10. Socially Aware (10% of the population)

Socially responsible, community-minded people, they are likely to be involved in community activities, environmental and conservation groups, and believe they are progressive and open-minded. They are early-adopters of products and ideas, and they take a global view of the world and political issues.

Arts research indicates that the groups of most interest to arts and entertainment organisations are:

4. Traditional Family Life.
5. Look at Me.
8. Young Optimists.
9. Visible Achievers.
10. Socially Aware.

Information on populations can be obtained from a variety of sources, including the Australia Council, the Australian Bureau of Statistics, and State and Territory arts authorities. A major research project on arts audiences has been undertaken by Arts 21 in Victoria, and information is available on consumers in terms of general attendance and by specific artforms.

Market Research

Managers have responsibility for planning, organising, directing, controlling, and staffing an organisation. All these tasks require decision making. The best decision making takes place when the manager has accurate, timely, and adequate information upon which to base the required decision. Research is the means for obtaining the information needed for decision making.

Market research can be defined as:

The planned, systematic, and organised acquisition of and analysis of objective data for the purposes of improving the marketing management's decision making process.

The key elements of that definition are that the research should be planned, systematic, objective, and usable in decision making. Sometimes the process of data collection can be so interesting that it is hard to know when to stop.

Research can be undertaken on virtually every aspect of the marketing mix, your own organisation, and the competition, as well as on consumers (both users and non users).

Applications for Marketing Research

- ◆ Research on consumers:
 - identifying existing consumers;
 - identifying potential consumers;
 - identifying lapsed consumers;
 - developing detailed consumer profiles;
 - identifying changes in attitudes and behaviour patterns.
- ◆ Research on products and services:
 - measuring attitudes towards existing products or services;
 - identifying potential new products or services;
 - identifying products which may be at the end of their life cycle;
 - evaluating competitors' products;
 - evaluating consumer attitudes towards presentation and packaging.



- ◆ Research on pricing:
 - identifying attitudes towards prices;
 - identifying costs;
 - testing alternative pricing strategies.
- ◆ Research on place:
 - identifying attitudes towards location;
 - identifying demand for products or services at other locations;
 - identifying co-operative opportunities for distribution of information or services.
- ◆ Research on promotion:
 - testing and comparing different media options;
 - testing alternative messages;
 - measuring advertising and promotion effectiveness.
- ◆ Research on competition:
 - measuring awareness;
 - identifying key competitors and their strengths;
 - identifying frequency of use of competitors' products and services;
 - comparing consumer attitudes to an organisation's services and those of competitors.

Identifying the Problem

For most organisations the starting point is to define the problem, then identify possible sources of data or information which will assist in solving the problem, for example, published research reports or studies done by other arts institutions.

The types of issues commonly of interest in arts and entertainment organisations includes strategies to:

- ◆ improve facilities;
- ◆ improve profitability;
- ◆ improve customer service;
- ◆ better understand visitors and non visitors;
- ◆ seek funding; and
- ◆ increase the effectiveness of promotions.

Improve facilities

Define problems and set strategies before major commitments are made to change facilities, or add to or expand current services, such as souvenir outlets, food and beverage facilities, or valet or discount parking.

Improve profitability

Identify profit targets and ways to reach them before making decisions to alter admission or fee structures, or before putting out to private tender services such as laundry, maintenance and cleaning, or food services.

Improve customer service

Analyse customer feedback surveys before changing hours of operation, front of house staff numbers or responsibilities, or the way in which tickets or reservations are handled.



Better understand visitors and non visitors

Identify customers, how often they come, what they like and dislike about the facilities or services, what services they use, when they visit, how they travel, and whether they come alone or with others.

Seek funding

Sponsors are taking a more businesslike approach to giving money. They require more detailed information on who the customers are, and exactly what benefits they will derive from sponsorship. Accurate data will enable an organisation to present more convincing arguments for sponsorship and grants.

Increase the effectiveness of promotions

Measure the effectiveness of promotions, what promotional material customers have seen, what they remember, whether or not they liked the messages, and if the promotional material affected their purchase decisions.

Secondary Market Research

Secondary data is information which is already available. It includes information collected internally, such as sales figures, attendance figures, details on the types of tickets sold (adult, children, family, groups, concessions, etc.). It also includes information from government reports, such as data collection by the Australian Bureau of Statistics, the Department of Tourism, and the Australia Council.

Other sources of information include copies of conference papers, speeches, reports to regulatory or funding bodies, annual reports, reports from trade or professional associations, articles, and even advertisements which have appeared in newspapers, magazines, trade papers, and newsletters. Student research projects and theses or dissertations are also available through university libraries.

One of the major sources of secondary data these days is the Internet. Although it can be time consuming to search through literally thousands of articles, the information available is impressive.

Primary Market Research

Primary research refers to any information you collect yourself to solve a specific problem. It can be informal or formal. At the most informal level it means walking around your facility, talking to staff or visitors, watching what they do, or talking to guides and volunteers. At the more formal level it means undertaking a major research study.

Types of research include:

- ◆ Telephone interviews.
- ◆ Postal surveys.
- ◆ Focus groups.
- ◆ Personal interviews.
- ◆ Omnibus surveys.

Telephone interviews

A quick and cost-effective way to obtain information from customers. A sample of customers is contacted by telephone and asked a set series of questions. It is useful for obtaining straightforward information, for example:

- ◆ Have you been to the theatre this year?
- ◆ When did you go last?
- ◆ What did you see?
- ◆ Did anyone else accompany you?
- ◆ How far in advance did you book your tickets?
- ◆ What did you enjoy most about the performance?



Generally, the interviews have to be short (not more than 4–5 minutes) or people will lose interest. The questions must be clear, concise, and easy to understand.

You can obtain names from subscription lists, or from information provided in competitions, through visitors or guest books, from membership information in Friends or Volunteer groups, or through lists of donors, school groups, or other groups who have booked tours, education programs, or other special activities.

If you are interviewing business people at their place of work (e.g. asking questions about attitudes towards sponsorship), it is best to send a letter beforehand, outlining the purpose of the survey and offering to make an appointment at a suitable time.

Postal surveys

The two major differences between telephone and postal surveys are the time involved and the response rate. Telephone surveys provide almost immediate responses, and usually, if the questionnaire is well designed and brief, the response rate is good.

Postal surveys are delivered to customers via the post. They take much longer because of the time required to send out and return the surveys.

But probably the biggest problem is the low response rate (often as little as 5–15%). Sometimes companies include an incentive — such as a prize draw (which takes away anonymity) — to increase response rates. This low response rate means that a large sample has to be used to get even a small response.

The questionnaire must be simple, easy to understand, and not look too complicated or long; otherwise you may receive a lot of incomplete responses.

One effective way of using a postal survey is to hand out questionnaires to visitors or customers while they are at your venue, along with a reply paid envelope.

Focus groups

Focus groups are one of the most popular forms of research used by arts and entertainment organisations.

A focus group is composed of a small number of people (ideally 6–9) invited to discuss a particular topic, usually under the guidance of a group facilitator.

The discussion usually lasts between one and one-and-a-half hours. Focus groups are used to generate discussion and get people's opinions and feelings rather than just to get facts and figures.

Focus groups are usually recorded, and the facilitator has a list of topics to be covered, although not in questionnaire format. It is best to have an experienced, professionally trained researcher undertake the facilitation. Recruiting groups also requires care — if not enough people turn up then it may be hard to maintain any dialogue. If the facilitator isn't skilled, one or two people may dominate, or the discussion may go off on the wrong track.

Participants are usually not paid, although a small gift (cinema pass, showbags, etc.) and refreshments are generally provided.

Although not statistically representative, focus groups selected from target or niche markets can provide valuable insights and ideas for arts and entertainment administrators.



Personal interviews

Personal interviews are perhaps the most time consuming, resource intensive — and therefore expensive — forms of research. Personal interviews are one-to-one interviews between customers and an interviewer, working through a prepared list of topics.

Interviews are pre-arranged and provide an opportunity for respondents to discuss the topic in some depth. Personal interviews are used when talking to key players (e.g. sponsors or government agencies).

Omnibus surveys

Omnibus surveys provide a cost-effective method of researching several topics at the same time. The same survey includes questions from a number of different companies or organisations, common demographic information is collected, and each participating organisation receives a copy of the results of their part of the survey. Omnibus surveys can be carried out as telephone surveys, postal surveys, or one-on-one interviews. The advantage is the cost savings related to shared costs for printing, interviewing, coding, and results analysis.

A number of research organisations carry out regular surveys of the public and organisations can 'buy' questions for the survey.

While omnibus surveys can be cost-effective, it is important to know where in the survey your questions will be placed, what other types of organisations are asking questions on the same survey, and how long the total questionnaire will take the respondent to complete.

Budgeting for Research Projects

Research can be an expensive element of a marketing budget depending on the type of research required. When setting priorities and budgets the steps to follow are:

- ◆ list all the projects that could be undertaken;
- ◆ estimate the costs of each project;
- ◆ estimate the likely benefits to the organisation of each project, especially if the results can act as a benchmark for future comparisons;
- ◆ compare the costs to benefits;
- ◆ decide which projects will produce the most benefit;
- ◆ set priorities depending on the research budget.

It may not be possible to undertake every project in just one year. Planning and setting priorities will help develop a long-term marketing research program with strategic benefits.

Using an external market research consultant

You can find the name of market research companies in the Yellow Pages or through professional magazines such as *Marketing* and *Professional Marketing*.

Companies should be members of the Market Research Society and follow their Code of Conduct.



Assessing a market research company

The best way to select a research company is to talk to others who have carried out research and ask for recommendations. If you have seen research published by other organisations you can also follow-up with the company involved in the project. A member of your staff may have previously been involved in research, or your Board or Committee members may have recommendations. In assessing a market research company you should consider:

- ◆ Their areas of expertise: consumer, industrial, or commercial research.
- ◆ Their experience in the arts and entertainment industry.
- ◆ The type of research they specialise in — surveys, focus groups, statistical analysis, etc.
- ◆ The scope of their services — local, national, international.
- ◆ The way they report results — just data results, or analysis as well as data.

There is an old saying in research that the final results are only as good as the original briefing. When working with a research company it is important that you are very clear about what you are trying to achieve. It is important to put your agreement in writing.