

TAKE THE

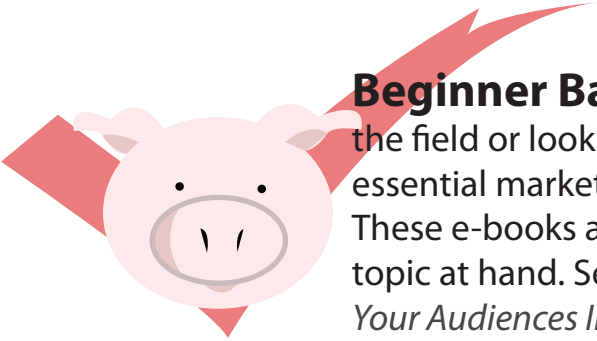
FOR

OUT OF

ROI



NOT SURE WHETHER OR NOT THIS E-BOOK IS FOR YOU? HERE IS AN EASY WAY TO TELL BEFORE DIVING IN:



Beginner Basics: For arts professionals and students who are new to the field or looking for foundational training. Gain the building blocks to essential marketing skills that will benefit arts organizations of all sizes. These e-books are typically “how-to” guides for those unfamiliar with the topic at hand. See also *6 Ways to Keep it Personal: Engaging & Managing Your Audiences Innovatively, Authentically, & Personally*

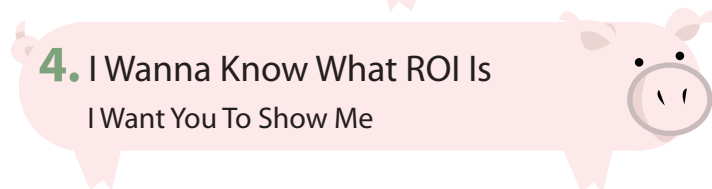
Intermediate Instruction: For arts marketers who understand the basic subject or challenge at hand, but have yet to jump in. This e-book delivers material that covers the mistakes or challenges and how to solve problems on a more complex level, using real time examples from a variety of genres. For an e-book at this level, check out *Banish Online Video Marketing Blunders – For Good!*

Advanced Approaches: For arts leaders who have expertise in the field and are seeking to increase their knowledge on the topic. This e-book will lift your level of understanding to a marketing master and includes thought-provoking work sheets to further train your proficiency on the topic.

TABLE OF CONTENTS



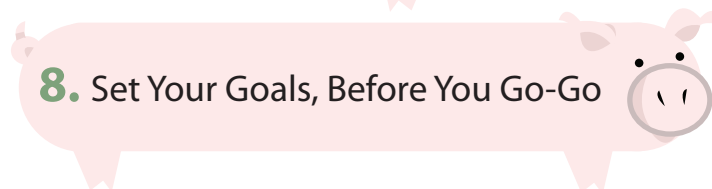
3. Why Read This E-Book?



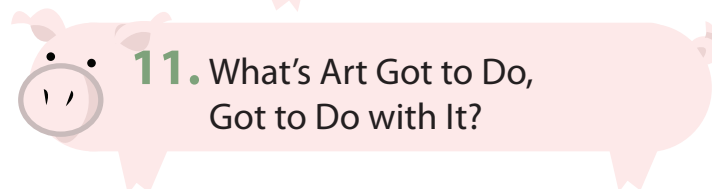
4. I Wanna Know What ROI Is
I Want You To Show Me



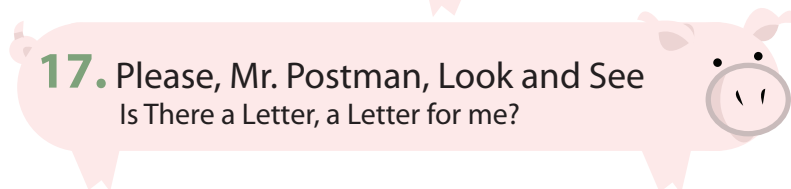
6. Time After Time



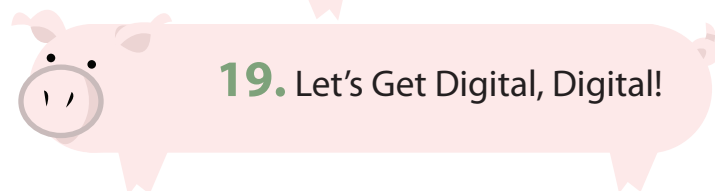
8. Set Your Goals, Before You Go-Go



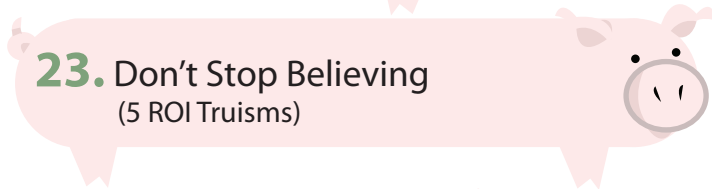
11. What's Art Got to Do,
Got to Do with It?



17. Please, Mr. Postman, Look and See
Is There a Letter, a Letter for me?



19. Let's Get Digital, Digital!



23. Don't Stop Believing
(5 ROI Truisms)



25. Resources

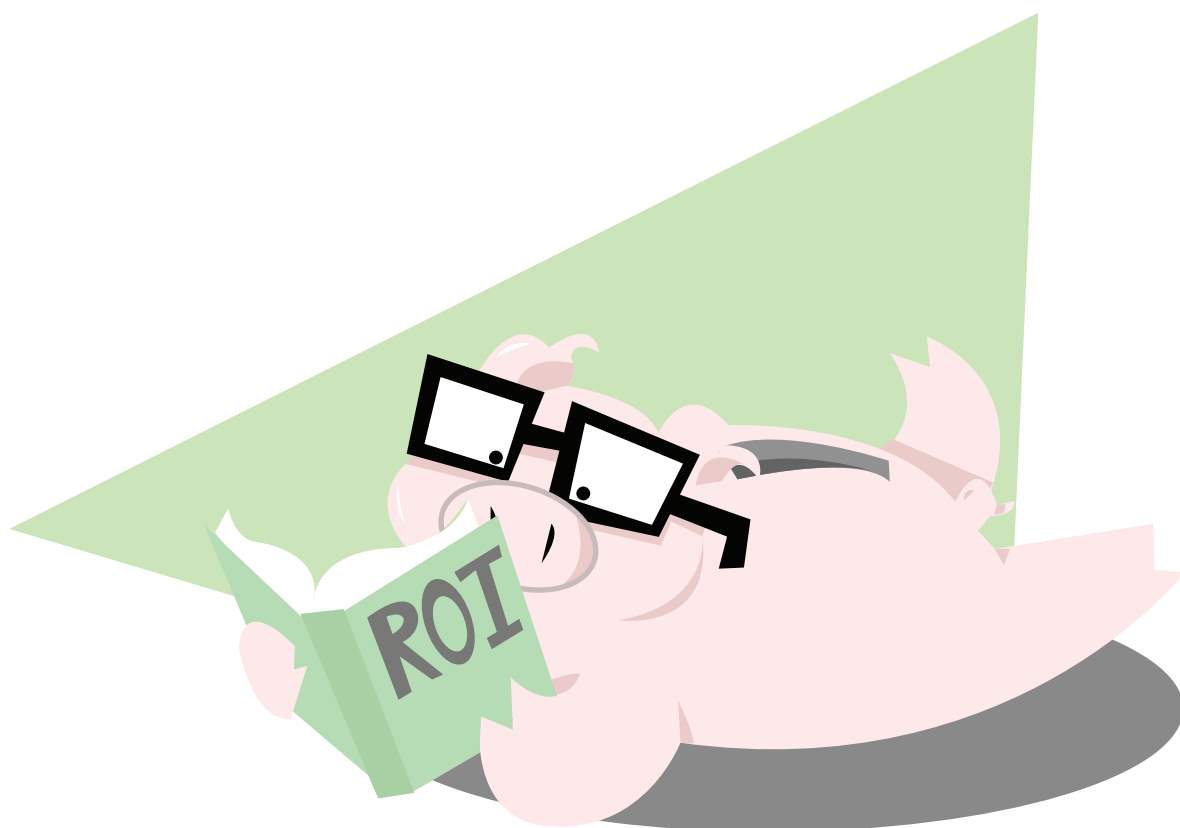


WHY READ THIS E-BOOK?

When budgets are tight (which they often are in the arts) it's essential to think about ROI, a.k.a. **Return on Investment**, to make sure the resources of your organization are doing the most good. You have probably heard the term "ROI" from your board treasurer, read it in management articles, and seen it in webinar titles, but more often than not, we are too afraid to apply it to our daily work. We fear that it will involve too many calculations, or be too tedious, or too time-consuming.

ROI is a tool for everyone, and in particular, an effective tool for marketing the arts. And, there's nothing to be intimidated of when it comes to ROI. It can and should be applied to many marketing choices that you make every day. The trick is understanding **what it is, how to use it to your advantage**, and **what it can do for you**.

First – meet Stuart, our friendly pig who will walk you down this step-by-step path and help you understand the basic foundations and principles of ROI. He will illustrate how your arts organization can measure its own ROI on any marketing campaign to make smarter, more informed, and more practical business decisions. Stuart has already taken the panic out of ROI for his own arts marketing; and he'll show you how to **Take The Fear Out of ROI!**



I WANNA KNOW WHAT ROI IS I WANT YOU TO SHOW ME

What Are We Talking About Here?

Let's start simple. ROI measures the profitability of an investment, decision or desired action. ROI is a formula in which the benefit (the return) of an investment is divided by the cost of the investment. Your ROI is expressed as a percentage or a ratio.

Here Is the Basic ROI Formula:

$$\text{ROI} = \frac{(\text{GAIN FROM INVESTMENT} - \text{COST OF INVESTMENT})}{\text{COST OF INVESTMENT}}$$

Here Are the Facts:

- * If an investment has an ROI percentage greater than zero, it means your investment return was more than its cost (it was profitable).
- * If an investment has a high ROI, it means it was highly profitable compared to its cost.
- * If an investment has a low ROI, or even a negative ROI, it means it had a low return compared to its cost.

Here's Why This Data Is So Helpful:

- * Measuring the ROI of a particular marketing campaign allows your arts organization to see, in a clear way, whether or not that particular investment was worth your time and money.
- * Once you are able to effectively assess whether or not an investment is worthwhile, you have an informed ability to tweak your marketing approach as a way to yield a higher ROI.

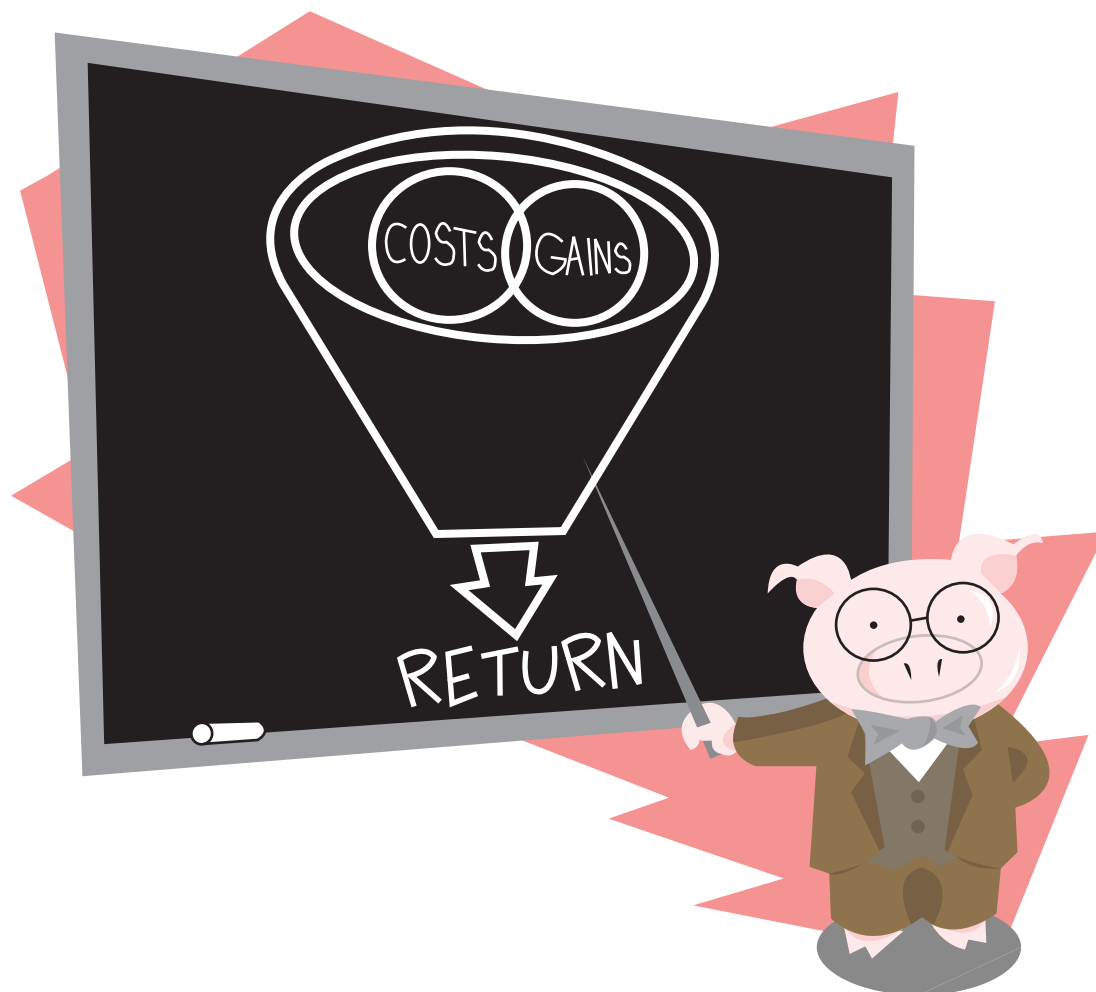


TIME AFTER TIME

"Time is free, but it's priceless. You can't own it, but you can use it. You can't keep it, but you can spend it. Once you've lost it you can never get it back."

-Harvey MacKay, author of New York Times #1 bestseller *Swim With The Sharks*

Before you begin diving into the realm of ROI, ensure your overall success by avoiding a key pitfall. There is a tricky component at hand: **the calculation yields different results depending on what values you include for both the costs and the returns.**



You see the word “investment,” and think about the costs associated with your marketing campaign. **Don’t Limit Your Thinking!** You also want to account for your time spent when you are calculating your return. Although it seems obvious that your goal is to maximize your return on your money spent, time spent is just as important as dollars spent when making informative decisions about the future of your business.

If you had to hire someone other than yourself to handle your marketing, you would have to pay them, so don’t forget that paying yourself is part of your investment!



SET YOUR GOALS, BEFORE YOU GO-GO

When measuring your ROI, don't underestimate the importance of setting goals. **Diving head first into calculating your ROI on a particular marketing effort without measurable, distinct, and reasonable goals will cause your plan to be devoid of effectiveness and direction.**

Know what type of outcome you would like to achieve before investing your money, resources and time. You wouldn't get in the car and attempt to drive to an unfamiliar location without directions, would you? *If you don't know where you want to go, you'll get lost somewhere along the way.*



Here Are Three Examples for You To Think About As You Set Your Own ROI Goals:

1) You are seeking out the senior citizens in your community to attend your contemporary visual arts exhibition, and need to define how many senior citizens will be enough to illustrate an increased attendance.

* Do you want to achieve an increased attendance of **40%**? Based on your experience, does this seem like an attainable goal? Is it too much of a stretch? Or is it too conservative based on new partnerships you have established with this target market group since your last exhibition?

2) You just updated your website and you need to increase the traffic from your blog to the website. Decide how many referrals from the blog to the website will equate to your definition of improved traffic.

* Is your definition of an improvement a **15%** increase in traffic? Again, make sure you keep your definition of improvement reasonable based on your data.

3) Your annual concert attracts **50** people year after year, and you want to increase the amount of attendees. How many more ticket buyers are worth your ROI efforts?

* Is it **20%** or **ten** more people or **100%** or **50** more people? Although a **100%** increased return would be ideal for anyone, doubling your attendance may be a difficult goal to achieve based on previous years. **Be practical.**

Handy online tools like Google Analytics can help you aggregate the data and information you need to see the strengths and weaknesses of your websites, social media platforms, and conversions. Another helpful (and free) tool for ROI goal setting is 4qsurvey.com, a survey tool for websites that will gather visitor feedback and measures satisfaction. This data will help in creating reasonable goals, and you can continue to use these tools to adjust your goals on a monthly or yearly timeline.

These tools will allow your marketing choices to be more effective and strategic, rather than arbitrary or even incorrect. As Director of Marketing and Communications at TimeLine Theatre Lara Goetsch put it perfectly, “this tool allows us all to turn arts marketing from a game of chance (roulette, anyone?) to a game of strategy (I much prefer chess).”



WHAT'S ART GOT TO DO, GOT TO DO WITH IT?

Marketers use ROI to gain insights into improving marketing performance and profitability. Considering ROI allows marketers to see whether the marketing contribution of profits exceeds the marketing investment. You could do an evaluation of ROI in one particular area of marketing, such as branding, email marketing, direct mail, and many other areas.

So how can arts marketers understand this in a practical and useful way? First we will explore e-mail marketing to show you how you could apply these concepts.



Let's check out Stuart's latest art exhibition of paintings at the Contemporary Piglet Museum for the Fine Arts. He has an e-mail list of **100** fellow piggies and wants to test the effectiveness of his e-mail marketing by sending out an e-mail blast one week prior to his art exhibition's grand opening. His e-mail blast will be sent to **100** piggies, and will contain a unique link that provides each piggy with the opportunity to purchase a **\$10** ticket to the exhibition's grand opening and meet the artist.

Stuart wants to test the ROI of his e-mail marketing, and he has set a very lofty goal to achieve an **80%** positive response.

How Will Stuart Measure the ROI of His E-mail Marketing?

Because he is promoting this opportunity via a direct email campaign with a distinct link, he can measure his ROI by counting the number of clicks that convert directly to each transaction. **This is his conversion rate, defined as the percentage of recipients who clicked on a link within a particular e-mail and completed a preferred action.**

Let's see how Stuart did selling tickets to his art exhibition. First, he added up all of his marketing costs. Stuart makes **\$50** per hour, and it took him **3** hours to create the e-mail blast, coordinate the mailing list, and send it out. As such, his time cost **\$150**, and Stuart calculated this as his only investment cost for this marketing campaign.

Now that it is time for Stuart to measure the return on his e-mail marketing, he can apply the basic ROI formula. Out of the **100** piggies in his e-mail list, **28** piggies purchased a ticket to his exhibition's grand opening at **\$10** per ticket, totaling to **\$280** in ticket sales.

Stuart's E-Mail Marketing ROI:

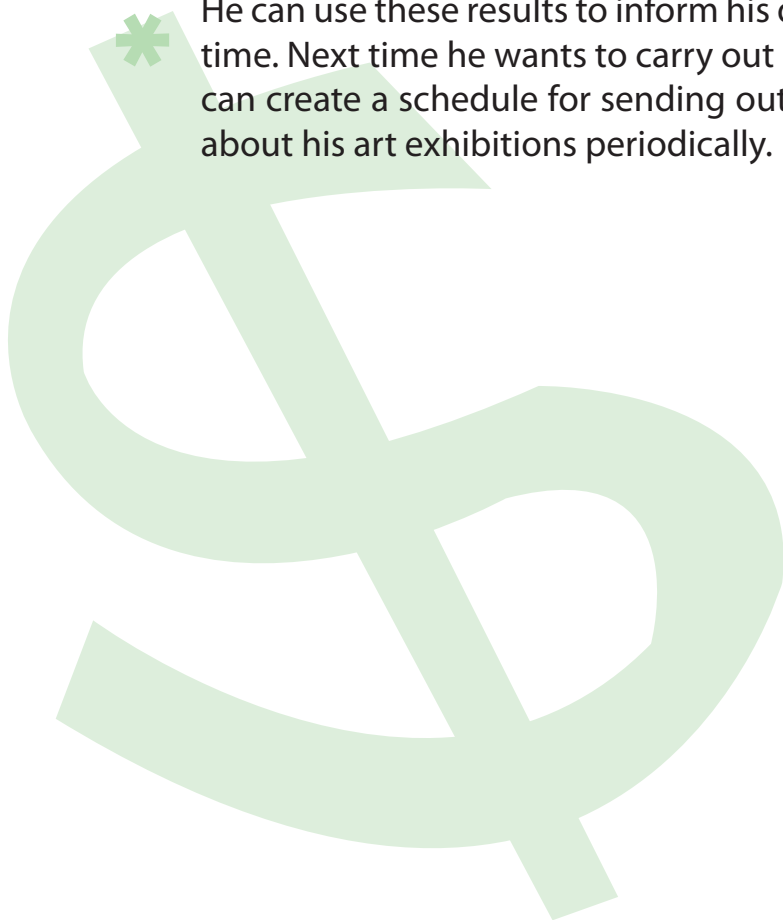
$$\frac{280 - 150}{150} \times 100 = 87\% \text{ ROI}$$

WOW! By exceeding his goal of an **80%** return, Stuart is on the ROI rollercoaster to success.



What Can Stuart Learn From This Data?:

- * Stuart now knows that e-mail marketing is a great way to reach his audience as a way to sell tickets to his art exhibitions, as his **87%** return showed. Although at first, his **80%** goal seemed a bit high, he was able to prove that for him, e-mail marketing is an effective way to get the word out about his business.
- * Stuart also can use this data to gain insight into how his piggy fans like to engage with him and his art. In the eyes of his patrons, observing his art in person and shaking his paw is a valuable experience. In future e-mail marketing campaigns, he will make sure to mention that his fans will have the opportunity to meet the artist in addition to simply purchasing a ticket to attend the exhibition.
- * He can use these results to inform his decisions about how he spends his time. Next time he wants to carry out an e-mail marketing campaign, he can create a schedule for sending out e-mail blasts to get the word out about his art exhibitions periodically.



After such a success measuring the ROI on his e-mail marketing, Stuart is now going to measure his ROI on an exhibition catalog that he had created for his art exhibition. This catalog will be made available exclusively for purchase at the exhibition's grand opening, and illustrates the twenty paintings that Stuart has for sale. Each catalog will be sold for a price of **\$25** each.

Stuart believes he has such devoted fans that surely they will want to purchase a beautiful catalog of his paintings for their home! Plus, this glossy catalog is sure to serve as a deeper way to engage with his patrons!

So, just as in his e-mail marketing campaign, Stuart chose to set the same goal of an 80% return.

First, let's examine how Stuart forecasted his marketing costs. He has decided to print **201** catalogs, assuming that at most, **200** piggies would come to the exhibition, and he would like to keep one for himself. After paying the graphic designer and having the catalogs printed, he was able to calculate that each catalog cost **\$15** to print. Working with his graphic designer in curating the catalogs took about **8 hours** (at **\$50/hour**) adding **\$400** to his investment costs. Stuart's total marketing or investment cost for his exhibition catalogs is **\$3,415**.

Once the exhibition ended, Stuart felt ready to crunch numbers and use the ROI formula to measure his return on his exhibition catalog.

Yikes! To Stuart's dismay, only **2** piggies purchased a catalog at **\$25** each, totaling to a mere **\$50** in sales.

Stuart's Exhibition Catalog ROI:

$$\frac{50 - 3,415}{3,415} \times 100 = -98\% \text{ ROI}$$

This gave Stuart a lot of pause. The catalog was expensive to produce, took lots of time and energy, and based on this data it did not prove to be the most engaging experience for his piggy fans.

What Can Stuart Learn From This Data?:

- * Stuart set the same goal for his exhibition catalog as he did for his e-mail marketing campaign. Yet a goal for measuring the ROI on ticket sale conversions from an e-mail marketing campaign and a goal for measuring the ROI on exhibition catalog sales from should not necessarily be equal. A goal to achieve an **80%** return on a **\$25** glossy catalog that is expensive and time consuming to produce is much more unrealistic than a goal for an e-mail blast trying to sell X number of tickets at **\$10** per ticket.
- * Although Stuart thought that his fancy catalog would serve as a deeper way to engage his fans, the costs of creating the catalog outweighed the return, resulting in a negative result. He can use this information to establish more realistic revenue goals in his budget, and evaluate the effectiveness of the products that he produces for his exhibitions. For example, now that Stuart knows that a full color catalog is not the best way to invest his money, time, or engage with his fans, he has already made plans to create a jazzy postcard instead of a full catalog to distribute at this next exhibition. His fans can still walk away with a keepsake to put on their sty's fence, and share with fellow piggy friends.

PLEASE, MR. POSTMAN, LOOK AND SEE IS THERE A LETTER, A LETTER FOR ME?

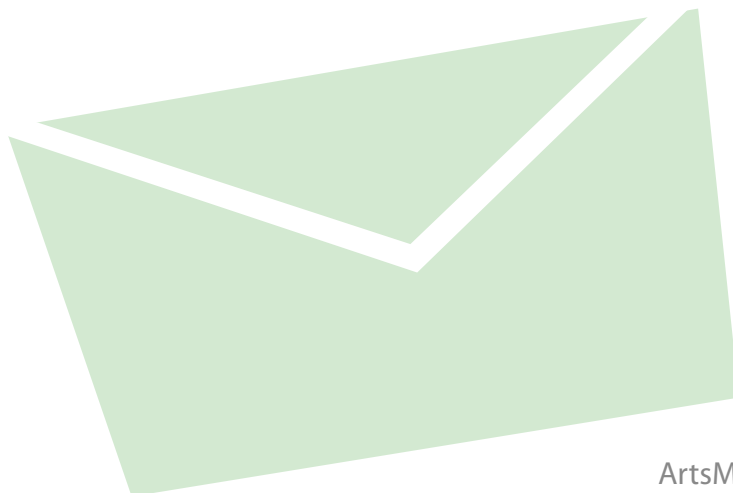
Now that Stuart has gotten his paws wet with measuring the ROI of his e-marketing tactics, he would like to measure the ROI of his direct mail campaign. He wants to sell **100** tickets to the Piglet Musical Theater at **\$25** per ticket. He has a goal of getting a **50%** return by sending out a direct mail postcard. Stuart has chosen to set a more conservative goal, since this is his first time sending out a direct mail piece.

So how will Stuart measure the ROI of his direct mail postcard? He has thought up the following way to track his ticket buyers:

- * Stuart will use the special promotion code **PIGTHEATER** on the postcard to track ticket sales as they occur. He will then be able to easily add up the sales generated with this promotion code to see what the profit was on ticket sales.

Stuart has calculated his costs as follows:

- * A direct mail postcard sent to the **200** Piglets who attended last year's performance cost him **\$2/postcard**, equaling **\$400** (in this **\$400** Stuart incorporated the **\$0.32** postage fee per postcard, a **\$136** printing fee, and a **\$200** design fee). It took him a total of **10** hours at **\$50/hr**, adding **\$500** into the investment amount. He therefore estimated his total investment costs to be **\$900**.



Stuart applied the basic ROI formula to his direct mail campaign. Let's take a look at how it played out:

Stuart sent **200** postcards at **\$2** per postcard for a total of **\$400**. He included his time into the investment, for a total cost of investment of **\$900**. The box office report showed that **51** piggies purchased tickets to the Musical using the **PIGTHEATER** code, generating a total of **\$1,275** in ticket sales.

Stuart's Direct Mail ROI:

$$\frac{1,275 - 900}{900} \times 100 = 41.6\% \text{ ROI}$$

What Did Stuart Learn From This Data?:

- * By using his ROI calculations, Stuart could forecast that he needed to sell **54** tickets to make his goal. When his box office report showed **51** tickets purchased with the promotion code, he knew he was close but still **3** tickets short.
- * Stuart has new insight into how to better control costs because he now knows he can make fewer postcards, considering only **51** piggies used the postcards to purchase tickets out the the **200** that he originally sent out.

LET'S GET DIGITAL, DIGITAL!

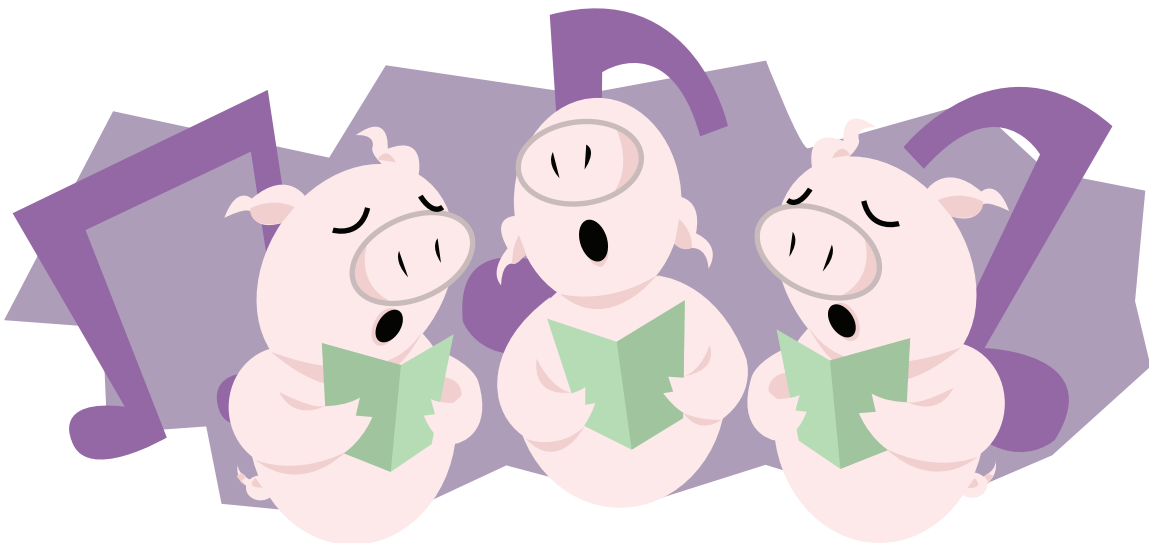
ROI analysis can be easily applied to measuring the impact of most digital and social media marketing efforts. **There is nothing to be afraid of when creating and measuring social media ROI because the web is perfect “countable” territory.** You can measure your organization’s social media page in likes, clicks, visits and views through Google Analytics since these are all handy quantifiables. If you’re monitoring your social media and trying to optimize its impact you are already in the land of ROI.



If this is still leaving your head spinning, let's take a look at Stuart's Facebook page marketing campaign that he used to sell tickets to the Piglet Choir Spring performance at **\$50** per ticket. **How many sales will the Choir get from customers who had earlier clicked on social media links or visited the "fan page?"**

Stuart plans on easily tracking sales conversions from the Facebook page with the help of Google Analytics. He has set what he feels is a realistic goal of a **100%** return on his investment. Since Facebook and Google Analytics are free platforms, he knows there won't be any hard costs. He calculates his time spent on his project as follows:

- * Setting up his Facebook page to allow his audience to interact with the choir and see upcoming performances took a total of two hours, equalling **\$100**.
- * Stuart added a Facebook "Like" badge to the Piglet Choir's website, allowing new viewers to immediately gain access to posts. Yet, this was not as easy as he thought, and after **4** hours of trying to figure out how to insert the HTML code, he needed to call in his friend Scarlett for help, a piglet web wizard. This took up six hours of Stuart's time, adding **\$300**.



- * Stuart spent time engaging with his Facebook audience by reminding them about upcoming performances through engaging posts, posting behind the scenes video interviews with choir members, and responding to the piggies that posted on the Choir's Facebook wall. This took up about **15** hours of his time, adding **\$750**.
- * Stuart registered for a free Google Analytics account to see how many piglet Facebook fans clicked on the link to purchase tickets to the Spring Choir Series from his Facebook page. This took him **2** hours to set up and analyze, adding another **\$100**.

Stuart was able to calculate that the entire campaign took up approximately 25 hours of his time at \$50/hour, totaling to \$1,250. Stuart calculated this as his only campaign cost.

Next, let's apply the basic ROI formula to Stuart's Facebook page marketing campaign for the Piglet Choir Series to determine whether or not it was worth his time. Google Analytics showed that **6** piggies purchased a ticket to the Spring Choir Performance by clicking on a link from his new Facebook page, for a total ticket sales of **\$300.00**.

Stuart's Facebook Campaign ROI:

$$\frac{300 - 1,250}{1,250} \times 100 = -76\% \text{ ROI}$$

What Did Stuart Learn From This Data?

In this case, Stuart faced a harsh reality. He realized that when measuring the ROI of social media, time is valuable. Although he made a certain number of ticket sales, it was a small amount compared to the number of hours that he put into creating and maintaining the Piglet Choir's Facebook page. Just because social media platforms such as Facebook or Twitter are free to create and maintain, don't be fooled into thinking that you are not investing anything into them. You are paying for time, and as we have learned, time is money.



DON'T STOP BELIEVING

(5 ROI TRUISMS)

1. It's Not All About The Money

When calculating your investments, you must include time as a cost. Investing your time wisely leads to making smarter and more effective marketing decisions. Time spent on a particular marketing tactic may be more of an estimation, but it is an important one nonetheless. For example, if you make **\$25.00** per hour and you spent two hours creating an e-newsletter and coordinating the process to send it out, add **\$50.00** into your investment cost.

2. Start Small

ROI can be an overwhelming task; don't take on too much by attempting to measure the ROI of all of your marketing tactics at once. For example, you may want to start with your seasonal brochure, and then analyze the results and work to tweak your strategy before moving onto your e-mail marketing. Once you get comfortable with measuring ROI, you will be able to measure multiple marketing tactics at once.

3. Set a Threshold to Success

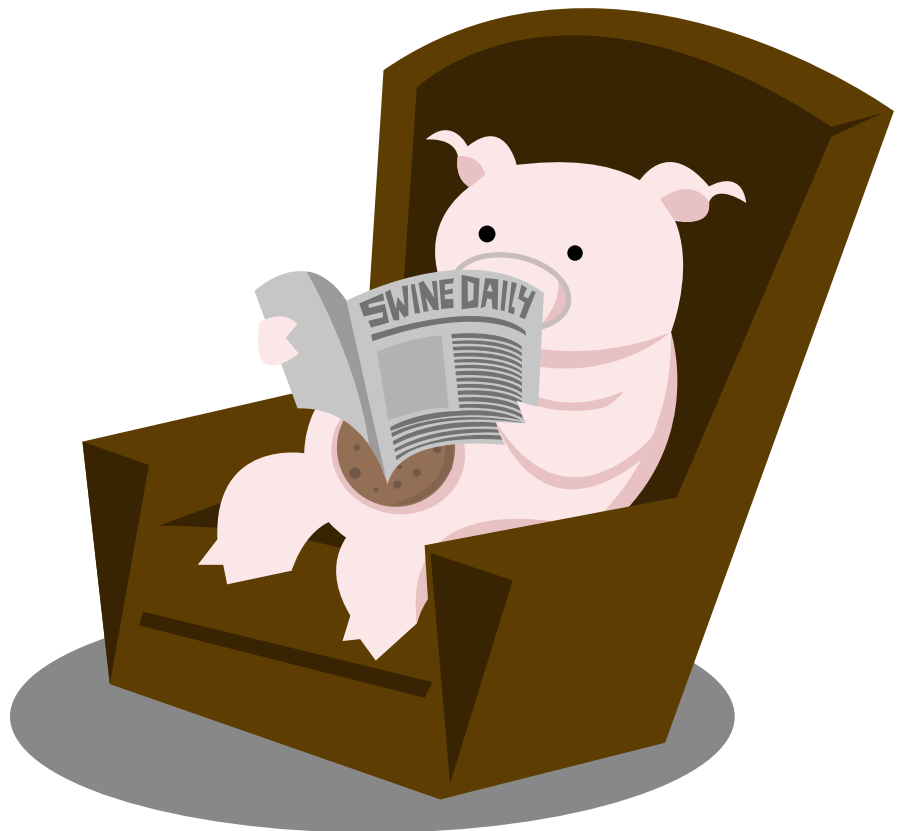
ROI encourages managers to establish quantifiable goals and really consider what number translates as an impactful result of their efforts and financial investment. Make sure you don't skip the first (and very critical) step to map out what your organization needs and setting reasonable but impactful goals that can be measured by using ROI metrics based on your past experience.

4. When It Comes to Social Media, Pick Your Battles

Digital and social media ROI is dependent on how you define your goals and chosen metrics. There are so many distinct actions that can be tracked or measured, and defining the best ones for you and how your audience engages with your organization should always be step one. You might measure sales conversions, track the value of increased traffic, or the depth of engagement among your online audience.

5. Get Ready for a Reality Check

Sometimes when marketers measure ROI, we face the harsh reality that we are not as effective in our approach as we may have originally thought. Don't let the fear get the best of you! Instead of getting discouraged, use this as a learning tool to make more insightful business decisions to improve marketing performance and profitability.



RESOURCES

<http://www.artsmarketing.org/resources/article/2010-07/power-goals>
<http://www.google.com/support/analytics/>
<http://www.4qsurvey.com/>
<http://www.captureplanning.com/articles/79375.cfm>
<http://www.fastcompany.com/1799421/4-expert-tips-that-will-maximize-your-blogs-roi>
<http://www.blogcalculator.com>
<http://www.myblogvalue.com>
<http://blog.hubspot.com/blog/tabid/6307/bid/30238/16-Quick-Ways-to-Squeeze-More-ROI-From-Your-Blog.aspx#ixzz1yAKKm5o1>
<http://www.hubspot.com/unlock-the-roi-of-your-marketing-with-analytics/>
<http://www.messagesystems.com/resources-guides-hitting-the-inbox-chapter4.php>
http://www.mckinseyquarterly.com/Are_you_ready_for_the_era_of_big_data_2864
<http://www-01.ibm.com/software/marketing-solutions/publishing/>
<http://www.marketo.com/w/revenue-performance-management/>
<http://adage.com/article/cmo-strategy/study-finds-marketers-practice-roi-preach/233243/>
www.harveymackay.com
www.davidmeermanscott.com/documents/Marketing_ROI.pdf
<http://www.wealthengine.com/knowledge-center/whitepapers/measuring-fundraising-return-investment-and-impact-prospect-research>
<http://company.ticketscript.com/eu/blog/increase-your-ticket-sales-through-facebook/78/>
166 case studies prove Social Media Marketing ROI. Free eBook and Infographic
<http://www.fastcompany.com/1843675/roi-and-social-media-three-keys-to-defining-the-dollars>
<http://blog.webstarts.com/2010/06/add-a-facebook-like-badge-to-your-website/>



ABOUT THE AUTHOR & ILLUSTRATOR



Laura Kakolewski
Author and Program Coordinator

Laura joined Americans for the Arts in September 2010. As Program Coordinator for Arts Marketing and Audience Engagement, she contributes to the effort of programs and services that increase the knowledge, visibility, and engagement of professionals in the field of arts and culture. She acts as primary content manager for the National Arts Marketing Project (NAMP) Conference website and coordinates an organization-wide, integrated webinar program. Previously, she worked at Brown University in Providence, RI. Laura received her B.A. in Art History from Fordham University and M.A. in art history from Brooklyn College.



JP Morales
Illustrator and Designer

JP is a New York City based illustrator and designer. He graduated from Parsons The New School for Design in 2010 with a Bachelors of Fine Arts in Illustration. His work has been exhibited at the Aronson Gallery and the Art Directors Club in New York.

jpsketch.net

SHARE THIS E-BOOK!



Americans for the Arts

Washington DC Office
1000 Vermont Ave NW - 6th Floor
Washington, DC 20005

202.371.2830 (P)
202.371.0424 (F)

Americans for the Arts is the nation's leading nonprofit organization for advancing the arts in America. With more than 50 years of service, it is dedicated to representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts.

WANT MORE ARTS MARKETING RESOURCES?

website: <http://artsmarketing.org>

e-mail: info@artsmarketing.org

facebook: National Arts Marketing Project

twitter: #nampc

