Arts philanthropy: the facts, trends and potential

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Summary

The imminent cuts in public funding to the arts are expected to leave a significant deficit in the sector’s finances. According to the findings laid out in this report, it is clear that the private sector and philanthropists in particular will not be able to fill this gap because a) the gap is too large and b) some major philanthropists themselves have said that they are not inclined to give more. However, this report sets out to bring together various pieces of research conducted by Arts & Business and externally on philanthropy in general and to the arts, to assess the facts, the trends and the potential.

What we currently know is that private investment accounts for an average of 15% of the arts’ income, of which 55% comes from individuals. Over the years, this source of investment has generally experienced a positive growth, across most regions and artforms.

NB. Reference to the arts throughout the report includes museums and heritage, visual and performing arts and other combined artforms. The definition therefore encompasses the whole of the non-commercial cultural sector (please see appendix for more detail) – where possible, we also provide a breakdown of the analyses below according to artform.

The analysis illustrates that individual giving makes a substantial contribution to those organisations that rely on it. However, there is still more that can be done for those organisations to attract higher levels of individual giving, and even more for the sector which currently doesn’t engage with individuals on a philanthropic remit.

Based on the current trends and how and why they are changing, the findings suggest that growth will come from those already interested in and engaged with the arts. A call to collective action and responsibility to support the sector will help the arts capitalise on their existing and powerful networks, which will prove crucial for the future. Collaboration within the sector will be instrumental in mobilising support, but what must also be recognised is how different markets can respond to different campaigns, whilst reflecting on their propensity and ability to give.

Friends schemes, giving circles (a growing trend in the US) and crowd funding (a growing trend online) neatly feed into this need for network building¹, community engagement, localism and the Big Society. These are some of the mechanisms through which the sector is likely to experience growth in the coming years, if developed and encouraged properly. These also tend to be challenge-driven, impact-led and spread through networks, word-of-mouth and recommendation.

In a similar way, the next generation of wealthy are now eager to follow in the footsteps of high net worth individuals and become more philanthropically active, contributing to problem-solving and supporting the causes that they care for. An in-depth profiling of this group assesses their current cultural and philanthropic activities, where the two meet and what could make these converge further.

However, we conclude with a cautionary but optimistic note: though there is clear potential for growth for arts philanthropy in its various forms and guises, this takes time, commitment and effort to build.

¹ (Miller, 2009)
Furthermore, growth in this area of income should be used to contribute towards the health, success and sustainability of the sector, rather than a quick-fix or replacement to public funding.

**Key findings/ messages**

- The year-on-year trends of individual giving to wider charitable causes and the arts in particular, suggest that philanthropy is far from reaching a plateau
  - However, only 2% of philanthropically active individuals contribute to the arts (NCVO; CAF, forthcoming)
- In 2008 individual giving (IG) grew by 25% above inflation to reach an all-time high of £382 million
  - IG decreased by 7% primarily in light of the recession and a particularly high one-off donation received the year before, to stand at £363 million by the end of 2008/09
  - However IG increased by 4% in the English regions, even in light of the recession and a national average of 7% decrease and after a whopping 38% increase from the year before
- Individual giving accounts for on average 8% of arts’ total income, but is received by 52% of the sector
- 73% of arts organisations increased their fundraising activities in the past 6 months and 48% increased their marketing and online drive
- Only 32% of arts organisations currently have Friends schemes
  - The lack of memberships within smaller organisations is more of a supply rather than demand-led issue
- Legacies are undercapitalised by the arts, with only 8% attracting this source of income, though they are incredibly lucrative for other charitable causes, estimated to be worth around £1.9 billion a year for the wider voluntary sector
- More people attend the arts than give philanthropically to the entire voluntary sector
  - The potential for the arts is therefore not necessarily in attracting a greater slice of the existing philanthropy ‘pie’, but in turning more individuals who engage with and love the arts into supporters
- An overarching increase in tickets and attendances, as well as sales from gift-shops and cafes/restaurants, suggest that audiences are prepared (and able) to attend more often and spend more during their visit
- Collaboration, conditionality and impact will therefore be increasingly important as donors seek to become more actively engaged with the charities they support
  - Similarly, collaboration and innovation within the sector will be the way forward as maximum impact will be expected with minimum resources
- There is also potential for growth from the higher end of the market, namely from individuals defined as the ‘mass affluent’
• The ‘mass affluent’ allude to the arts’ competitive advantages, namely their creativity and their entertainment value as ways that would make them increase their philanthropy in this area.

• The arts’ role in social engineering is also of interest to them, therefore their instrumental value could be particularly useful in attracting more investment from these individuals.

• Grounded targets and timely interventions, some of which are set out in the last section, will need to be put in place if we are to maintain, let alone accelerate the growth of philanthropy in the arts.
Introduction

Through the ages, individual patronage and the arts have been intricately connected – from the Ancient Greek choregoi sponsoring theatre and drama to Maecenas, the Medici’s and Victorian Philanthropists, rich and powerful individuals have sought to support and encourage the arts in their various forms. Philanthropy is therefore neither a new nor foreign agenda for the arts or for Europe, but as more emphasis is increasingly placed on its importance, more questions are being asked on its potential. This report will look at the current facts and trends for arts philanthropy in the UK and will also look at the scope and potential for growth and where it will come from.

A lot has been written exploring donor motivations, but ultimately more often than not, donors give to causes that are close to their heart, whether their decision is needs-or-taste-based, self-fulfilling or completely altruistic (Lloyd, 2004; Ledbury Research, 2009; Breeze, 2010; Preston, 2010). Philanthropic motivations can also generally be linked to what Maslow has identified as the final human need, namely self-actualisation, which is also the driver for the ‘transformation economy’ (Gilmore et al, 2009). This implies that once individuals have achieved a certain level of comfort in their physical and material life, they seek to better themselves through meaning, morality, creativity, spontaneity and problem solving – all of which are characteristics of philanthropy.

Similarly, the Centre for Charitable Giving and Philanthropy have looked at the symbolism of giving and linked it to symbolic, social and cultural capital as developed by Bourdieu (Henderson), outlining how philanthropy and charitable giving, particularly when externalised, serves to add symbolic capital (or status), which supersedes both financial and social capital.

But unlike most other charitable causes, the arts have what could almost be defined as a tangible product, namely the experience they provide, with what can almost be defined as a tangible market, namely the audiences and cultural consumers. That can work to their advantage, as philanthropic donations are primarily attracted from this existing network of people – according to a recent Arts & Business report, 90% of donors engaged with the organisation to which they made a donation three or more times in one year (Gaio, 2009). Furthermore, though the arts may not always have an urgent appeal as with charities linked to survival, people value the (in)direct benefits they receive as a result of their donations, such as free or priority entry to paid-for exhibitions, back-stage passes to performances and prestigious dinners with celebrity directors.

A lot has also been written about the UK’s culture of giving (or lack of it) which in itself is often cited as a barrier to the growth in philanthropic giving, particularly in the arts. Yet the Charities Aid Foundation’s (CAF) World Giving Index suggests that the British are much more generous than many other nations.² So in light of the political ideologies and financial challenges currently driving changes in the UK’s tripod economy for the arts (Mermiri, 2010), the Government is calling for a stronger culture of giving, particularly to the arts. Accordingly, the sector should receive more from the private sector, and consequently rely less on public funding, of which there will be little available in the future, though it currently accounts for over half (53%) of the sector’s income.

² Metro, Happy Britons are big charity givers, 8th September 2010
But we must be clear about one thing from the outset: regardless of the Government’s call for increasing the levels of philanthropy into the sector, private investment cannot fill the gaps left by swingeing public funding cuts, especially when philanthropy by most philanthropists’ accounts should serve as a supplement to government funding, and not a replacement. And as we have previously observed (Mermiri, 2010), both businesses and philanthropists want to capitalise and invest in an already healthy and successful sector – they do not want to substitute government funding, as “it’s the job of the state to provide the basics and the job of philanthropy to make the basics the best” (Chapman, 2010).

That said we must also recognise that there is more potential for growth from the private sector, especially considering its likelihood to recover faster than the public sector (Pimlott, 2009). But the challenge for the arts, particularly the smaller organisations, will be to raise more income from this source at a time when both individuals and businesses are also under significant financial pressures, hence (temporarily) limiting their capacity to give, if not their willingness and propensity.¹

Building relationships, often referred to as friend-raising, is the single most important task for successful fundraising in this and any climate. In this light, the arts’ greatest asset is their existing loyal audiences and networks, which can be capitalised through various sources of income if targeted properly. Audiences attracted to and engaged with the arts will often contribute to earned income (32% of total income), through ticket purchasing and additional expenditure within the gift-shops, cafes and restaurants. Conversely, the audience reach (both in terms of quantity and type) is one of the primary considerations for businesses when investing in the arts. Finally, increased philanthropic activity is most likely to come from existing loyal audiences rather than the disengaged public.

<table>
<thead>
<tr>
<th>Experiences attract audiences</th>
<th>Earned income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses follow audiences</td>
<td>Business investment</td>
</tr>
<tr>
<td>Audiences become supporters</td>
<td>Philanthropy/ individual giving</td>
</tr>
</tbody>
</table>

NB. For the purposes of this report, philanthropy and individual giving will be used interchangeably though we recognise that they often vary in nature of giving and range of amounts, as they span the broad spectrum of giving.

With this narrative, the arts can therefore neatly contribute to the development of the Big Society, as they already place ‘individuals at the centre’, build networks and encourage engagement and

¹ (Stokes, 2010) ; (Barton & Preston, 2010)
collective responsibility. However, the Big Society, unfamiliar and uncomfortable as it still is for some, has become almost synonymous with the ‘small state’ and that in turn has come to equate to the swingeing public funding cuts referenced earlier. The consensus is that disproportionately large cuts could significantly damage the arts – but in this light, the future may be such that the public, or at least the part of the public that values the arts, will have to step in to support them.

Research suggests that philanthropists will be increasingly responding to specific needs and their donations will be more about problem-solving rather than “giving to large charities without a designation for how [the donations] will be spent” (Ledbury Research, 2009). An imminently expected problem, which will need urgent solving, is how the UK cultural sector will continue to thrive, when a large proportion of its traditional income will be lost.

Encouragingly, the aforementioned drive of “responsibility is most keenly felt by the young – the next generation of wealthy – 72% of whom believe that they may have to step up to fill in for the government” (ibid). And though the public funding gaps will be too large to fill in their entirety, we can at least try to ensure that other sources of income, namely private investment and earned income continue to grow. Philanthropists, both at the high and lower end of the spectrum could therefore make a difference.

So where will the growth come from?

Before we begin to assess the potential for growth, let’s first dispel some myths.

**The myths**

1. There is little arts philanthropy in the UK and *no potential for growth*
2. There is no arts philanthropy in the regions and *no potential for growth*
3. The decrease in private investment (and philanthropy) to the arts in 2008/09 means there is *no potential for growth*
4. The modest levels of private investment and individual giving to the arts means there is *no potential for growth*
The facts

Individual giving accounts for the majority of private investment received by the sector and has more than doubled in the last eight years since Arts & Business first started tracking this source of income. Private investment currently accounts for an average of 15% of the arts' total income, with individual giving accounting for 55% of that and therefore approximately 8% of total arts' income.

In 2008 individual giving grew by 25% above inflation to reach an all-time high of £382 million, however, it decreased by 7% above inflation primarily in light of the recession and a particularly high one-off donation received the year before, to stand at £363 million by the end of 2008/09 (Mermiri, 2010). However, only around 52% of arts organisations currently receive some form of financial support from individuals.

Though the majority of individual giving is concentrated within major organisations and in London, there is also an encouraging growth trend in the regions.

It is therefore clear that over the next three years, arts organisations across the regions and of all sizes will be prioritising individual giving over all other sources of private investment, as it is expected to be more important for 77% of the arts sector, according to the 250 arts organisations which responded to Arts & Business' annual consultation survey.

Considering that almost half of the sector currently receives no individual giving and that the remaining half is able to raise substantial amounts from this source of income, more organisations should be encouraged to build relationships with their stakeholders in order to secure additional financial backing from them. Furthermore, it is expected that those organisations which already have these relationships established will try to build deeper and wider networks, in order to get more from both existing and new supporters.
The context

The arts are now increasingly looking to diversify their income sources, as is the wider voluntary sector. The wider sector itself comprises a large group of charities, which serve a wide range of causes for social benefits with varying messages and urgency of appeal. Individual giving to the arts accounts for around 3.5% of overall charitable giving, though this estimate differs according to different reporting methodologies.

Clearly the amounts (both in total and on average), vary significantly according to cause and more interestingly, according to donors’ social demographics and motivations.

### 2008/09 donations

<table>
<thead>
<tr>
<th>Cause</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>Environment</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Overseas</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Disabled</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Schools</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Sports</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Hospitals</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Children</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Health</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Medical</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Other causes</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Animals</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Elderly</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Homeless</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: (NCVO; CAF, 2009)

A low median of donations to the arts in 2009/10 (below), suggests that the majority of donations are mid-to-low level, and could therefore come from donation boxes and memberships, as has also been suggested in Local Pride, a study into mid-to-low level giving to the arts (Gaio, 2009). The significant decrease from the previous year could be skewed due to unrepresentatively high one-off donations received then and not repeated.
While the arts account for a relatively small proportion of the overall giving pie, the reasonably high number of average mean donations received, suggests that some of these donations are particularly noteworthy.

Although the decrease in mean donations for the arts could be worrying, it is worth noting that this has also been the case for various other charitable causes.

NB. We will have a fuller picture of the giving landscape in November 2010 and early 2011, when updated figures for overall charitable giving and private investment to the arts are published by the National Council for Voluntary Organisations/Charities Aid Foundation and Arts & Business respectively.
Unequal distribution?

Excluding London, the English regions received £42m from individuals in 2008/09 and £39m the year before (07/08).

This means that individual giving increased by 4% in the regions, even in spite of the recession and a national average of 7% decrease.

The regions/ nations in isolation are polarised in their experience of growth in the last year, though to a large extent, the decreases can be attributed to the recession, as they are almost in-line with the overall decrease of charitable giving for that year, which was 11% (NCVO; CAF, 2009).

Interestingly, some of these findings align with some wider trends in charitable giving analysed by the Centre for Charitable Giving and Philanthropy, according to which only a quarter of households in Wales, the West Midlands and the North East were philanthropically active. However, as Cathy Pharoah suggests, it should not be ignored that giving patterns and levels can also reflect asking patterns and the fundraising infrastructures in each area (the supply), rather than just the capacity and propensity to give (the demand).

Though only 12% of overall arts philanthropy went to the English regions, individual giving accounts for approximately 30% of the overall private investment they receive. Proportionally therefore, individual giving levels in these regions are very similar to those of business investment and trusts and foundations funding, which account for 38% and 32% of private investment received respectively.

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4 (Hudson, Charities urged to target UK regions where fewer households give, 2010)
5 (Hudson, Charities urged to target UK regions where fewer households give, 2010)
According to the table above, it was the 11% decrease in business investment in the regions, which brought down the overall % change of private investment, though still a smaller decrease than the London and UK-wide average because of the increase in individual giving.

And to continue on the positive reporting, growth for the year before (ie % change for 07/08 from 06/07) also showed a very large increase of individual giving in the regions of 38%, even when excluding London, which was presumed to be driving the large national increase because of the incredibly high one-off donation we mentioned earlier, which went to a London-based organisation.

**Individual giving by size* of organisation**

![Graph showing estimated total (£/m) for individual giving by size of organisation.](image)

*Estimated total (£/m)
Clearly the difference in levels of individual giving received by large and small organisations is vast, with large and major organisations (with an annual turnover of £1m+) receiving approximately £351m from individuals, as opposed to medium and small organisations (with an annual turnover of under £1m), which collectively received around £12m.

<table>
<thead>
<tr>
<th>Size</th>
<th>% of IG</th>
<th>% change</th>
<th>Average (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>86</td>
<td>-30</td>
<td>792,585</td>
</tr>
<tr>
<td>Large</td>
<td>11</td>
<td>+23</td>
<td>69,063</td>
</tr>
<tr>
<td>Medium</td>
<td>3</td>
<td>+23</td>
<td>9,365</td>
</tr>
<tr>
<td>Small</td>
<td>0</td>
<td>-5</td>
<td>1,862</td>
</tr>
</tbody>
</table>

Source: Arts & Business, Private Investment in Culture 2008/09

It is interesting to observe however, that individual giving increased for large and medium organisations, whereas major and small organisations experienced decreases.

NB. The disproportionately large decrease of individual giving for major organisations is to a large extent attributed to the one-off donation in the London-based organisation that we have previously mentioned.

This seems to imply that though the levels of private investment received by organisations vary significantly according to size and are in that respect incomparable, the smaller organisations are becoming more adept in raising increasing levels of individual giving, appropriate for their own means, resources and outputs.

So though the levels of philanthropy for smaller and/or regional organisations are indisputably modest they are increasing, even in light of the recession, which respectively suggests that there is more potential for growth.

* Size is according to annual turnover: Major = £5,000,000+; Large = £1,000,000-£5,000,000; Medium = £100,000-£1,000,000; Small = £0-£100,000
The trends

Performance indicators

As we have already identified, individual giving is intricately connected with the relationship between arts audiences and the organisations in question. Philanthropy does not exist in a vacuum, especially considering that the Government’s urgent call for increasing arts philanthropy is a direct result of external factors impacting on other areas of the sector.

A snapshot analysis below of various performance indicators for the arts will help us contextualise the trends and potential within philanthropy itself. These indicators include public funding and private investment from businesses, individuals and trusts and foundations, in addition to attendances and sales within gift shops, restaurants and cafes, which could have a direct impact on philanthropy as they are both primarily contingent on disposable income and engagement.

The results were collected through our most recent Market Trends survey, conducted in August 2010 and based on 240 representative responses from the sector (see methodology for more detail).

In viewing these, we need to reiterate again that the sector is currently far from the ‘gold standard’ of the tripod economy, whereby each source of income (public, private, earned) accounts for an equal third of total income.

Currently only earned income accounts for a third of total income (32%), and considering that public funding accounts for an average of 53% of arts organisations’ income, a 25% – 40% decrease in this source could lead to a decrease of 13%-21% of their overall income. This could translate to around £500m-£900m deficit if the primary sources of public funding in the UK (including Local Authorities) decreased in this way.

Considering that only 15% of income comes from private investment, it would have to double if it were to make up for the possible decrease in public funding. However, the scale of the deficit and the need for very fast growth in private investment exemplifies just how difficult it would be for the private sector to fill that gap in its entirety.

However, there are some positive indicators suggesting potential for growth, tracking change for the arts in the last 6 months.
Performance indicators

- More than 50% increase
- Less than 50% increase
- No change
- Less than 50% decrease
- More than 50% decrease

<table>
<thead>
<tr>
<th>Indicator</th>
<th>More than 50% increase</th>
<th>Less than 50% increase</th>
<th>No change</th>
<th>Less than 50% decrease</th>
<th>More than 50% decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticket attendances</td>
<td>3%</td>
<td>22%</td>
<td>14%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Gift Shop sales</td>
<td>6%</td>
<td>16%</td>
<td>65%</td>
<td>39%</td>
<td>17%</td>
</tr>
<tr>
<td>Cakes and restaurant sales</td>
<td>2%</td>
<td>14%</td>
<td>1%</td>
<td>37%</td>
<td>53%</td>
</tr>
<tr>
<td>Public funding</td>
<td>3%</td>
<td>2%</td>
<td>11%</td>
<td>50%</td>
<td>32%</td>
</tr>
<tr>
<td>Private investment from businesses</td>
<td>13%</td>
<td>15%</td>
<td>60%</td>
<td>63%</td>
<td>6%</td>
</tr>
<tr>
<td>Private investment from individuals</td>
<td>13%</td>
<td>15%</td>
<td>63%</td>
<td>53%</td>
<td>8%</td>
</tr>
<tr>
<td>Private investment from trusts and foundations</td>
<td>15%</td>
<td>5%</td>
<td>6%</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>
The negative impact on public funding is much greater than that of other income streams reflecting the in-year cuts imposed by Arts Council England and presumably decreases within local authority budgets. By contrast, private sector funding has largely remained stable or improved, whereas a year ago it was this income source that was most negatively affected (Mermiri, 2009). It should be noted however, that the percentage of respondents with an increase in private investment was approximately the same as those that recorded a decrease, though stable levels of income can also be a positive sign, particularly in this climate. The levels of individual giving were increased or maintained by 83% of the sector in the past 6 months.

The overarching increase in tickets and attendances, as well as sales from gift shops, cafes and restaurants, are positive indicators suggesting further space for growth as audiences are prepared (and able) to attend more often and spend more during their visit.

The Arts Performance Index (API) below translates where there were more organisations to experience increases than decreases in the various performance indicators to a positive number and where there have been more organisations experiencing decreases than increases into a negative number. We therefore ignore the organisations for which these indicators have stayed the same in the past six months and instead focus only on positive or negative change. The APIs below are analysed according to region, artform and size to assess the impact that these factors have had on performance.
According to region (1 of 2)

A Tickets / attendances
B Gift shop sales
C Cafes and restaurants sales
D Public funding
E Private investment from businesses
F Private investment from individuals
G Private investment from trusts and foundations

Legend:
- East
- London
- Midlands
- North East
- North West
- South East
- South West
- Yorkshire
As with the general trends, tickets and attendances seemed to be experiencing overall increases for the majority of regions, particularly the North West, whereas public funding seems to have primarily decreased for all regions except the North East.

Six out of eleven regions had more organisations experiencing increases than decreases in individual giving.
According to artform (1 of 2)

A Tickets / attendances
B Gift shop sales
C Cafes and restaurants sales
D Public funding
E Private investment from businesses
F Private investment from individuals
G Private investment from trusts and foundations

Arts centre
Arts services
Community arts
Dance
Festivals
Music
Theatre / drama
The trends are more accentuated when looking at artforms, as tickets and attendances have been increasing for the majority of artforms, with significant decreases in public funding.

Private investment from its various sources seems to be holding up for around half of artforms, particularly for literature.
The positive findings here confirm that size does not always have to impact on performance indicators in a linear way, showing that small and medium organisations are overall performing well, particularly with the earned income area (tickets and sales). Furthermore, there are a greater number of small organisations experiencing increases rather than decreases in individual giving, which is again promising, though business investment seems to have suffered for most organisations regardless of size.
Response to financial challenges

It is now quite clear that financial challenges are likely to continue for some time and on various fronts and not just as a result of the recession. The arts sector has respectively been vocal in making its case for continued support and arguing its value, so as to minimise as much as possible the negative impact on the sector.

On the ground however, the reality is that these changes are taking place and that the sector must therefore respond. The graph below shows the different activities arts organisations have been undertaking at three different intervals from April 2009 to August 2010.

Increasing fundraising efforts has been recurrently reported as the measure most organisations (73%) are acting on in response to current and ongoing financial challenges, though more are doing so in the latest round of questions than previously. This is in line with the fact that approximately 70% of the sector expects private investment from all sources to be of greater importance in the next three years, with individual giving as the priority for the majority of respondents. It therefore makes sense for more resources, whether staff, money or time, to be thrown into fundraising.
Investing in marketing activities and/or technology were the next measures most organisations were taking in response to the recession (48%), which seems to tally up with the fact that organisations are trying to build a brand, cement loyalty and reach new audiences (Arts & Business, 2010). It is interesting to also note that more organisations than previously (40%) are providing special deals for admission, possibly as part of the increased marketing push.

It is also heartening to observe that reducing opening and staff hours are last resorts and only applied by a small fraction of the sector.

As the new government is encouraging the sector to become ‘leaner and meaner’, collaborations and merges are already being considered by a third of the sector (a higher proportion than previously), with approximately 13% of respondents already proactive in this respect (also up from previous months).

Collaborations and mergers are likely to become increasingly widespread as a means to save costs and pool resources. Back-end collaborations such as box office sharing and cross programming can be expected to increase in the coming months and years.

Cost-efficient, effective and transparent organisations will also have competitive advantage for attracting donors, as they are increasingly looking to invest in organisations they can trust and with which they can have a tangible impact (Ledbury Research, 2009). In this respect, the lines between business, philanthropy and not-for-profit sector are increasingly blurring and the three converge, as arts organisations will have to prove their value and reach not just for the public funders, but increasingly for private investment too. However, it is also worth noting that due to their entrepreneurial nature, high net worth philanthropists like to take and encourage risks and innovation (ibid.), so the myth that work supported by the private sector will become increasingly conservative and dull, is simply untrue and a groundless generalisation.

Overarching issues

Responding to external challenges and operating within the certainty of hardships to come can sometimes cause panic and/or an element of helplessness, but the arts sector is not unfamiliar with being creative, proactive, innovative and flexible.

To this end, below is a list of activities that some of our respondents outlined they are working on to secure increased levels of income, particularly from private sources.

- “Starting or developing a Friends and individual giving scheme/ employed development manager”
  - As above, it is clear that many organisations see the potential in attracting more investment from individuals and are therefore proactively seeking to make that happen (see below for more information on trends and potential in Friends schemes)
- “Online network, website development and social networking sites such as Facebook and Twitter”
  - These can be excellent in supporting the marketing activity of an organisation, building a brand, raising awareness of products and services and most importantly engaging with
audiences on a different platform and replicating the physical network of followers online (Arts & Business, 2010; Arts Council England, forthcoming)

- “Hiring interns/ volunteers”
  - Considering the lack of resources and over-stretched full-time and paid-for staff, hiring interns and working with volunteers can be a good interim solution to maximise productivity with minimum resources. However, managing interns and volunteers also takes time and they too need to be trained and feel involved, so resources must be allocated appropriately

- “Offering tailor-made packages for corporate entertainment”
  - There is great need for tailored offerings particularly to corporate clients and with the increasing competition in the market. (Gilmore et al, 2009) As more people are chasing what appears to be less money available, the arts will need to stand out and offer real value for money and return on investment for businesses

- “Online retail/ investing or developing cafe and sales area”
  - Expanding market opportunities through online sales could be particularly beneficial, especially considering that sales from gift-shops, cafes and restaurants have been increasing in their majority (Cronshaw & Tullin, 2009)

- “Refurbishing the building and letting part of it”
  - Monetising assets, fixed or not, is an integral part of the increasing need to be entrepreneurial and resourceful, as earned income, currently 1/3 of total income, can be driven and controlled by the organisations internally and is less susceptible to external forces than any other source of income

- “Bringing on board local business people”
  - Governance and board giving will be of increasing importance for the future of arts organisations as business skills, experience and networks can help arts organisations become more efficient (see Mermiri, 2009; Mermiri, 2010; forthcoming Arts & Business research on governance and board engagement)

- “Attending more workshops and/or art fairs”
  - Training and development will be of crucial importance for the arts, as they will need to meet increasingly aggressive targets in an increasingly hostile market – maintaining high staff morale will also add to the need for competitive skills and expertise.

Although the sector is being quick to react and adapt to the ‘new normal’, there is still significant cause for concern specifically regarding the financial and political climate and how it is likely to affect the sector’s immediate and future work.

The cutback in the public sector is expected to have a direct impact on staffing levels and morale, which can of course lead to significant structural remodelling and considerations such as programme reduction and shorter opening hours, which as we have seen has not yet been adopted by many organisations. Cost cutting will mean that organisations will have to be more ambitious with less money and meet higher targets with limited resources. As more will have to diversify their income
The facts, trends and potential streams and look to sources that may sometimes be considered unpredictable and unreliable, collaboration and hard work again come out as the best solutions, with online strategies complementing these.

Encouragingly, the sector has not completely abandoned its optimism, with more people expecting that their fundraising income from private sources will increase next year than those who expect it to decrease or stay the same. Similarly, more respondents expect the situation to stabilise in the next couple of years, which will enable more of them to start increasing their levels of artistic activity and production, with an almost parallel growth as that expected for private investment.
Individual giving in-depth

Nature of giving

Anecdotal evidence suggests that the 80:20 fundraising norm still stands for the arts, in that around 80% of the overall wealth accumulated in the sector comes from approximately 20% of the donors. This is substantiated by our respondents who estimated that around 20% of their donors were high net worth (HNW) individuals, who presumably contributed with major gifts. However, recent Arts & Business estimates suggest that around 90% of donations are at mid-to-low level (Gaio, 2009).

The following section will look at the different forms of individual giving and how much they are currently contributing to the sector. These will include:

- individual donations,
- Friends schemes and
- Legacies.

The findings from this section are primarily based on our Market Trends survey conducted in August 2010 (see appendix for details).
Individual donations

According to the Private Investment in Culture 2008/9 report (Mermiri, 2010), individual donations accounted for 33% of overall individual giving and 18% of overall private investment. However, it is worth noting that these figures could vary significantly year-on-year as individual donations, particularly at a large scale, are both quite unpredictable and not often repeated.

According to the Market Trends survey, approximately 45% of arts organisations received one-off individual donations in the past year (2009/10), from an average of 84 donors per organisation.

% of organisations that received individual donations

- The donations:
  - ranged from 50p to £250k,
  - averaged a maximum of £12k received per organisation,
  - averaged £143 raised per donor, though this of course differs when looking at factors like size, artform and region of the organisation.

NB. The actual amount raised by the sector will be analysed in the annual Private Investment in Culture Survey, due in January 2011.

Museums, combined arts, dance and opera received the highest number of individual donations.

A significant majority of individual donations were made to major organisations, which also reflects the overall levels of individual giving they receive. It is worth noting that major gifts, which a few of these donations would be, take up to two years on average from cultivation to fruition. Many of these donations go towards funding a specific new or existing project, whether artistic, educational or capital in nature.
However, what most arts organisations currently need in the face of adversity is unrestricted funds, which will help them continue to produce the work they do at the current levels and quality. For these purposes, donors should be encouraged to trust and respect the recipient organisation enough to believe the funds will be put to the most valued purpose.

A noticeably high percentage of donations were estimated to have been made by HNW individuals to organisations based in London. From the responses to the survey individual donations appear to be lowest in Northern Ireland and the North West. The number of donations made in the East was significantly higher than other areas of the country.
**Friends schemes**

Friends or membership schemes currently account for the majority (48%) of individual giving received in the arts and could be a greater source of income for the sector, as it is for organisations such as the National Trust with over 3.6 million members.⁶

**Memberships cement the existing relationship between arts organisations and their audiences and galvanise them through special benefits** such as ticket discounts. Furthermore, “membership can provide a reassuring ‘badge’ of values in a world of fluid and complex identities: being a member of an organisation often becomes part of an individual’s self-perceived identity” (Third Sector Foresight, 2010). This feeling of belonging chimes very well with the theme of the Big Society, where networks are particularly important and widely used to receive support.

Adopting a more tailored approach and moving away from a one-size fits all model, many arts organisations segment their members and offer different tiers of personalised membership benefits. These differ according to (potential) members’ different motivations, interests and disposable income (ibid). The Whitney Museum of American Art is the perfect example of an organisation that is working creatively with their Friends schemes and their Friends themselves, having just introduced an economically accessible programme called Curate Your Own Membership. According to this:

“members can choose a Social Series that includes invitations to parties, previews and events; an Insider Series with behind-the-scenes tours; a Learning Series, which includes gallery talks; a Family Series with stroller tours and a Kids Passport stamped at each visit; or a Philanthropy Series, with the payment helping to underwrite exhibition and education programs rather than parties, previews and lectures” (Vogel, 2010).

However, according to the latest Market Trends survey (August 2010) an alarming 68% of arts organisations currently have no Friends/ members scheme. Feedback suggests that the main reasons organisations have not established Friends schemes relate to a lack of administrative and financial resources or, in some cases, a lack of knowledge. A few organisations reported that they were in the initial stages of setting one up or planning to begin one – a few reported failed programmes.

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⁶ (National Trust)
For the respondents that do have Friends schemes, membership ranges from 17-2,000 people and the mean number of members is 298. Interestingly, the 32% of the sector with Friends schemes has collectively raised around £175 million with an average of £85k per organisation in 08/09 (excluding the National Trust) – that is a large amount generated by such a small proportion, even if these organisations collectively attract the highest numbers of audiences.

If at least half the sector were to have a Friends scheme similar in scope and nature as those already established, up to £98 million more could be raised. And if the whole sector were to have similar Friends schemes to those that currently exist, that could bring in another £300 million to the sector. The potential for growth should not be confined for organisations with only a certain level of income or audiences, as organisations across all regions, artforms and size have successful and fruitful membership schemes (as we will see below).

Furthermore, 47% of individual respondents to a different survey (Gaio, 2009) said that being a Friend or member encouraged them to give more – so in addition to the income generated through membership itself the spill-over effects could be even more positive, generating additional investment for the organisation.
Friend schemes appear to be most common in the East, London and the South West, though the majority of the remaining regions seem to be catching up. By contrast, there seem to be very few established in the Midlands and Northern Ireland.
According to artform

Clearly some artforms such as museums, heritage and music seem to be more conducive for Friends schemes, as the majority of organisations within these artforms appear to have memberships. For the majority of most other artforms however, most organisations do not yet have Friends schemes, but the fact that some do suggests that these schemes are not limited to only one kind of organisation or audience base.
It is clear that the larger the size of the organisation, the more likely it is to have a Friends schemes. As identified above, lack of resources and awareness seem to be the greatest barriers for running a successful Friends scheme. This in turn seems to imply that the lack of memberships within smaller organisations is more of a supply rather than demand-led issue.
Legacies

Legacies currently account for around 18% of individual giving received in the arts, which translates to around 10% of private investment and approximately 1% of total income. It is however worth noting that there is usually an unpredictable time lag from when the legacy is pledged to when the income is received due to the nature of the donation, which means that often legacy income does not follow a linear growth.

Even so, **legacies are undercapitalised by the arts, though they are an incredibly lucrative source of income for other charitable causes, estimated to be worth around £1.9 billion a year for the wider voluntary sector.** Some charities such as environmental, research and health are particularly successful in raising a large proportion of their income from legacies (18%, 16% and 9% in respect) (NCVO; CAF, forthcoming).

Furthermore, the legacies market is predicted to grow by 3.1 per cent each year until 2015, as they become more widespread both in the charitable sector and in the arts.

The majority of arts organisations (92%) do not have a Legacy scheme, with many citing their organisational structure as inappropriate. Another common rationale against initiating Legacy schemes was the lack of administrative and marketing staff, as well as the lack of knowledge, which was also alluded to as a barrier to entry. For some respondents plans to initiate Legacy schemes were dependent upon the success of Friend schemes.

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7 (Remember a charity)  
8 (Hudson, Legacy Foresight claims wills market is set for growth, 2010)
For the 8% of the arts that reported to have a Legacy scheme, the number of legators ranged from 1-4, and the average raised from this source of income in 2008/09 was £188k, with an estimated total of £65 million.

**According to region**

Almost half of the regions reported no Legacy schemes. The highest percentage of organisations that established schemes were based in the East whilst a marginal percentage of organisations in London, Yorkshire, Wales and Scotland reported to have established this type of scheme.
According to artform

The majority of organisations that responded to the survey across most artforms reported not to have established Legacy schemes. Only a quarter of museums and around 2/3 of heritage organisations had a running Legacy scheme. Comparatively, very few or none, of the organisations within other artforms had a Legacy scheme.

According to size
Whilst just over half of major organisations reported to have established Legacy schemes very few large, medium and small sized organisations seem to have initiated a programme of this type.

It seems therefore, that Legacy schemes are currently very much the preserve of larger organisations, as there seems to be a definite correlation between size of organisation and likelihood of having a Legacy scheme. However, as previously noted and as is the case with Friends schemes, lack of Legacy schemes for smaller organisations probably exist because of lack of knowledge and/or resources, rather than lack of interest from the public.
The potential

According to the Funding Commission (2010), the aspiration for philanthropy in the wider charitable sector is to reach £20bn by 2020 – converting 4.7m non-givers to givers, with ideally more people donating at modest levels and those donating at the higher end of the spectrum giving more.

Similarly, the majority of arts organisations are already expecting private investment in general and individual giving in particular to be both more important in the next three years. They also expect it to increase as a source of income, which is why they are in tandem increasing their fundraising activities. Furthermore, the year-on-year trends of individual giving to wider charitable causes and the arts in particular, suggest that philanthropy is far from reaching a plateau in the next decade or so, especially as more people are both becoming wealthier and more interested in the arts.

The projections above (green trendline) are based on the existing trends for individual giving to the arts, based on more-or-less uninterrupted growth and a very strong economy. However, a more pessimistic projection (dotted red), which considers the uncertainty and stress currently characterising economic growth, suggests that growth within arts philanthropy will also be slower and will only just surpass the £400 million mark by that time.

However, bearing in mind that the current amounts are raised from and distributed between just over half of the sector, once the remaining 48% starts building relationships with more individuals and taking better advantage of their existing networks, the growth could become much steeper.

So in six years’ time arts philanthropy could in theory reach £450m by 2016, £90million more than what is currently raised, if the right interventions were put in practice.

Of course, developing these interventions, cultivating the necessary relationships and building a culture of giving takes time – and the question still remains, when and where will growth actually come from?
The growth

Ultimately, arts philanthropy in the US accounts for 4.2% of total philanthropy and is much greater than in the UK (around £6b; The Center on Philanthropy at Indiana University, 2009) – two obvious reasons are:

- the overall philanthropic culture prevalent there: 86% of the adult population contributed to charities in 2002 (Fulton & Blau, 2005) and
- the high levels of charitable giving in general: around £140b (The Center on Philanthropy at Indiana University, 2009).

Other reasons include lack of public funding, better donor care and more advanced techniques.

Though we can’t directly compare with the levels of overall and per capita giving in the US due to the significant differences in giving habits, we know as has been noted by many academics, politicians, practitioners and philanthropists, these giving traditions take time to build, and are above all voluntary. That said, more can be done to create a more conducive philanthropic environment in the UK.

More than half of English adults (54%) are philanthropically active, regardless of size and recipient of donation (NCVO; CAF, 2009). However, only 2% of philanthropists give to the arts (NCVO; CAF, forthcoming) – this translates to 1% of the adult population, suggesting that the arts have more niche supporters than other charities, who are therefore presumably driven by different motivations and expectations (see below for more).

Conversely, 60% of the adult population engaged with the arts three or more times in the past year (Bunting et al., 2010), which clearly suggests that the arts are successful in attracting the interest and engagement of a large proportion of the population. More adults in England therefore engage with culture than give philanthropically to all charitable causes combined. That in itself means that there is much untapped potential for these existing audiences to become supporters, even at lower levels.

The potential for the arts is therefore not necessarily in attracting a greater slice of the existing philanthropy ‘pie’, but in turning more individuals who engage with and love the arts into supporters. This potential for growth is particularly encouraging, especially considering that a large proportion of arts attendees are within a high socio-economic band and would therefore also have the ability to support, in addition to the predisposition (CASE, 2010).

This of course does not mean that the arts are exclusive or excluding, but merely that for the purposes of targeting areas of growth for philanthropy, we will focus on the groups most likely and able to give more and more often according to their socio-economic demographics and habits, so that those who can’t give are still able to enjoy the arts.
Collective action

As noted previously, urgency in appeal tends to work in favour of several causes that attract high levels of philanthropic giving. But though the arts can differ from other causes in that respect, the risk of them regressing in the following years could mobilise their loyal attendees and passionate followers in unprecedented ways (though to be clear, we can’t expect to mobilise individuals who historically have no involvement with or interest in the arts). Outstanding Cultural Champions exemplify how far their commitment and support can go, showing that it is possible to make a difference and that many people are already trying to do so, albeit at a smaller scale.

The notion of collective activism and support is very much in line with the emerging trends towards collaboration and partnerships. This is already happening between the arts and business worlds (Gilmore et al, 2009) and this will increasingly need to take place within the arts world itself. Not only will organisations need to pool resources, but they will need to bring their audiences together (which mostly overlap to begin with) and mobilise them.

In this light, what is particularly interesting about the National Trust’s model of membership is its call to action – the call to save for the nation, to belong to a network and to collectively achieve something great and important is a compelling case for support. This is also very much in line with philanthropists’ (of any stature) increasing need to contribute to target-driven projects with tangible outcomes and impact (Breeze, 2010; Ledbury Research, 2009). Traditionally, the motivations and expectations were polarised at the different ends of the philanthropic spectrum, but increasingly we see these converge.

The same kind of mood and sensibility is therefore driving philanthropy at all levels, as this is also taking place in the form of giving circles (a growing trend in the US) and crowdfunding (a growing trend online). Getting large numbers of people giving small sums of money is a particularly good idea, as is the case with Kickstarter and the Big Arts Give. However, this should not be mistaken for a completely new concept for the arts, as donation-boxes and Friends/ memberships schemes also work by pooling small amounts from large numbers of people. Crowdfunding and giving circles should therefore be seen as the natural extension and evolution of existing types of giving.

The interesting thing about these evolved types of giving is that they work with members that are highly engaged in the community, whilst influencing them to give and often give more and more strategically (Eikenberry & Bearman, 2009). Leveraging power is crucial in this case and it is amplified online, as social networks are particularly good platforms for people to come together, due to their inclusive nature (Arts & Business, 2010; Arts Council England, forthcoming) – but this is just indicative of the mood and attitude and the same principles can be applied offline, so as to attract all segments of arts lovers, including those that are less media savvy.

Working towards a specific goal or challenge, whether collectively or in isolation and with large or small amounts will be the future for philanthropy and the arts, especially considering the shift in desire from supporting to problem-solving. Collaboration, conditionality and impact will therefore be increasingly important, as donors seek to become more actively engaged with the charities.
they support, as is also the case currently with businesses as identified by Arts & Business research (Mermiri, 2010; Gilmore et al, 2009).

This then also addresses the issue of accountability and the fear of strings attached that many people think comes along with philanthropy, whether from businesses or individuals. Closely linked to that, also comes the fear that there will be less interesting and ground-breaking work produced as a result of a market-driven cultural economy. But philanthropy does not mean that the arts will therefore be susceptible to market failure – on the contrary, collective philanthropy does not have one voice and should not be stifling. Through philanthropy the arts receive the public’s vote of confidence, which will ensure they have the freedom and capacity to create great art for everyone11. But in order to ensure that is the case, the arts will need to continue to be accessible and appealing – therefore, it is not just the arts that need to be democratic (Holden et al), but also arts philanthropy itself.

Some maths:

Considering that 60% of adults in the UK engaged with the arts more than three times in 08/09, this translates to approximately 23.4m people – if each gave £3 a year, namely the median donation to the arts (NCVO; CAF, 2009), that would add up to £70m.

A more modest and possibly realistic campaign would be to target the 9% of English adults that are highly engaged with the arts, namely the Urban Arts Eclectic and Traditional Culture Vultures (Bunting et al, 2010). Both of these groups are well educated and affluent, and there is therefore much potential for these individuals to become more philanthropically active than they are already: £3 a year (as above) from each of these individuals would contribute around £10million for the sector. Based on the median donations for the arts before the recession, this could go up to approximately £35million.

11 Arts Council England’s mission statement
Scoping the higher-end of the market

It is well known and accepted that the philanthropic spectrum is vast and that the most charitable causes, including the arts are very adept in raising income from different people through different means. As motivations, expectations and giving capacity ranges according to different market segments, so do the ways in which they are targeted.

According to the Office of National Statistics’ Survey of Personal Incomes 2007/08 (updated January 2010), the percentage of people earning more than £44k p/a has doubled in cash terms from 5% of taxpayers to 10% in the last eight years (Funding Commission, 2010).

At the same time, according to the Sunday Times Rich List, the collective wealth of the top 1000 multi-millionaires was up by 29% in 2010, the biggest increase in the 22 years of the Rich List (ibid). It should also be noted, that most individuals on the rich list (around 75%) are now earning (and not inheriting) their wealth.

However, according to Barclays Wealth, 97% of high net worth (HNW) individuals are philanthropically active, donating to several charitable causes and in sizeable amounts (Ledbury Research, 2010). But though they could always increase their levels and portfolio of giving, we suspect that market may be almost saturated. Coupled with the fact that these individuals are very hard to reach, particularly for the majority of small and medium arts organisations, we do not expect them to lead the growth of philanthropy for the sector. Worse yet, a different report, Tomorrow’s Philanthropist (Ledbury Research, 2009), suggests that HNW individuals are losing their interest in investing in the arts and other similar causes, stating that “these causes had become less important to them over the last ten years, and that this trend would accelerate over the next decade if the causes in question failed to engage in a meaningful way with the next generation of givers.”
So what of the next generation of wealthy with much disposable income at their discretion and a keen interest in self-actualisation? And more importantly how can the arts secure their commitment at a time when it is most needed and harder to get?

The next section will focus on primary qualitative research commissioned by Arts & Business and carried out by Marketlink Research with 30 individuals defined as the ‘mass affluent’ (with their personal income amounting to more than £100,000 or liquid assets ranging from £50,000 to
£1,000,000). As an untapped market, particularly for the arts and with the increased need of engaging them in the future, the research explores the mass affluent’s current cultural interests and activities, and how these overlap (if at all) with their philanthropic giving. Most importantly the research highlights what would encourage them to give more, specifically to the arts.
The ‘mass affluent’

The profile

To begin with, as with the majority of the population and as we have already recognised, the ‘mass affluent’ are only likely to be arts philanthropists if they are already predisposed to and engaged with the arts. In this case, their lifestyle will centre on work, family, travel and cultural interests; they will work in finance, law firms or management consultancies; they will be highly concentrated in London and the South East; they will consider the arts to be essential to life; they will attend arts events regularly – several times a week to once a month, and most often museums, galleries, theatre and opera; and they will most often be Friends (and a few board members) of several arts organisations. Even so, there is no consistent level of donation to the arts and it is at present estimated to be very low in relation to income (less than 1%).

Though the majority of the ‘mass affluent’ have some interest in the arts, if it is not particularly deep-rooted it is not likely to lead to any sizeable or sustainable donations.

The motivations

As with most other market segments, arts philanthropy from the ‘mass affluent’ is driven by their existing passion and engagement with the arts, with similar motivations and sensibilities to most arts audiences. And as with any other semi-homogenous group, the arts mean different things to different people and therefore arts philanthropy itself can take place for a number of reasons, including the desire to support artistic excellence, encourage social inclusion and generate economic benefits. In this light, particular attention needs to be paid to what drives the individual on a personal level, whether it’s the aesthetic, social or intellectual contribution of the arts.

Conforming with other findings on general donor motivations to the arts and elsewhere (Lloyd, 2004; Gaio, 2009; Breeze, 2010), the following were referenced as important drivers in their philanthropic activities:

- Personal interest and passion
- Desire to be part of the local community
- Desire to contribute to the local community
- Feeling of satisfaction and pleasure
- Desire to be at the forefront of information about the arts (minority).

As with the nature of the cause itself, most of the drivers for engaging with the arts tend to be self-fulfilling rather than altruistic. This is succinctly exemplified by the difference between getting direct pleasure vs. incidental satisfaction when donating to the arts as opposed to other charities, as one interviewee explained.

However, deviating from overarching trends, the ‘mass affluent’ interviewed for these purposes, were not particularly interested in or convinced by arguments around conserving and developing the
nation’s cultural heritage and impact. This was primarily because a few of these individuals have very loose ties with the UK itself, as a significant proportion of them are foreign nationals. Furthermore, this was also considered as the realm of the ultra wealthy, who contribute with major donations to this end.

Though it was not explicitly articulated, as with the status and symbolism attached to giving in general, a few of the ‘mass affluent’ interviewees would seek to engage with the arts philanthropically in order to build on their sophistication and intellect, both perceived and actual.

Tax breaks were not seen to directly affect the decision to give but were appreciated as making a request for giving more appealing.

The increase

Ultimately, it is “the ask” which triggers giving even when the motivation itself is already there. Namely, the potential donor is much more likely to give (or give more) if s/he is asked to give to begin with, regardless of the reason – though this might seem obvious, apparently the arts still sometimes stall in proactively making the ask. The next necessary step is being convinced that something deserves sustainable support, followed by being able to envisage the impact of the gift both in theory and in practice – these are not just contributing but determining factors of “the give”. Trust, engagement and acknowledgement are then crucially important to further encourage a lasting relationship with the donor and repeat donations.

Furthermore, benefits are particularly strong factors in increasing arts philanthropy, as they encourage giving and build engagement. These include:

- public celebration of the contribution of small scale, long term donors
- encouragement of a ‘peer recognition’ culture
- privileged entry / access to ‘money can’t buy’ experiences
- access to networking with other like-minded individuals
- access to a social (local) group.

Experiences, networks and recognition are therefore paramount in encouraging this group of individuals to give more to the arts, though this seems to also be the case for a wider group of arts audiences. However, it is worth noting that though recognition often polarises donors and some wish to remain anonymous, the majority of interviewees were more likely to appreciate being publically acknowledged.

Furthermore, the following approaches would also help in increasing arts philanthropy, particularly for this group of individuals, though again many individuals within different socio-economic demographics would also agree.

- More professional approach to fundraising
The facts, trends and potential

- More ‘fun’, ‘less worthy’ events
- More creative ways of soliciting support.

It is interesting that a few of the interviewees alluded to the arts’ competitive advantages, namely their creativity and their entertainment value as factors that would make them increase their philanthropy to the arts. More interesting however, is that their entertainment value is sometimes ignored and avoided as an argument and most often by the sector itself. In fear of devaluing their intrinsic and instrumental values, the arts are unwittingly potentially alienating those who do want to have a bit of fun and would consequently give more for it.

On a similar note, one of the barriers to giving was that the arts are still considered too elitist, lacking universal appeal and with the perception that arts philanthropy is for the ultra wealthy.

The barriers

“Competition” with other charitable causes considered more urgent and/or worthy, coupled by the fact that the arts are still often not considered charities by some, is still a barrier in engaging those that are interested in, but not passionate about the arts. Charity fatigue was also referenced by a few as a barrier to giving/ giving more, with the majority of interviewees already contributing to a number of charities (with a direct and understandable correlation between wealth and number of charities supported and levels with which they are supporting).

Conversely, some people think that the arts should solely be funded through tax-payers’ money with the perception that they are already well supported, though when probed they were not familiar with the amounts of public support they receive. Accordingly, many were not familiar with the needs of arts organisations and it is unhelpful that their understanding of artists is informed by the commercial arts and widespread publicity of over-payment for some of these artists.

Similarly, a small minority believe that the arts should be self-sustained, and others mistakenly think that by collecting/ buying art, they help the arts sector as a whole as they are not clear about the distinction between commercial and publically funded art, as mentioned above.

Finally, it was repeated that a potential shift of emphasis from wanting to give to being forced to give will not work as an incentive and on the contrary could become counterproductive – rather than unlocking more income, it could be diverted to other causes, which place more emphasis on the voluntary nature of philanthropy and therefore receive the donations with greater appreciation rather than a sense of entitlement.

Capitalising on potential

Ultimately there are two overarching implications for the arts and though they seem blindingly apparent, they are often ignored.
1. **Messaging and packaging is crucial.** Possibly the most important step in successful fundraising is understanding what drives and interests the prospective donor (of any scale). As has clearly been exemplified, this varies significantly from person to person, not just from group to group. The arts are particularly lucky to have far reaching and alternating (though not mutually exclusive) values. Both intrinsic and instrumental values should be used to their advantage and most importantly when tailoring their messages (and programmes) according to who they want to reach and who is the target audience. Three general suggestions to consider:

   a. **Widen reach** – the arts should collectively and unapologetically try to become more fun and inclusive, as these are some of the sector’s strongest competitive advantages and what sets it apart from other charitable causes, so they should therefore not be undermined. This does not need to lead to compromise between mass appeal and artistic freedom, but careful consideration should be placed on what a good balance between the two would be.

   b. **Social engineering** – if the arts are expected to directly ‘compete’ with other charitable causes, they will have to develop a similar appeal. Building on social benefits and impact and making that impact tangible and visible will be particularly important for any arts organisation wishing to engage philanthropists this way. But more interestingly, as collaboration is going to be increasingly important within the sector, more should be done to also increase cross-fertilisation between different sectors, such as the arts with health, education and overseas development. This would strengthen rather than dilute the ask, whilst simultaneously help with pooling resources, networks etc.

   c. **Creative integrity** – at a time when the arts are under significant pressure to evolve and adapt in a particularly fast-changing and challenging environment, it would be useful, albeit difficult, to constantly check against their remit – what is their purpose? What are they there to achieve? And against that, prioritise above mostly everything else achieving that in the best (and sometime most cost-effective) way. Ultimately that will bring in more audiences, that should get people more excited and that could make them support the work.

2. **If you don’t ask you don’t get.** Simply put, no matter how passionate someone is about the arts, they’re much less likely to give unless they are asked to. Of course the difficulty for many arts organisations is getting access to these people to begin with, let alone making the ask. But what the research confirms is that some of these people are already avid arts lovers, attending arts events several times a week to once a month and therefore with a predisposition to donating.

   a. Those with already strong networks need to capitalise on these, by asking them to support the organisation, making the ask attractive and relevant to them (as above)

   b. Those without the existing networks need to start building these, through membership schemes, collaborations and so forth and thus bringing together a pool of supporters, always bearing in mind that some will be more able and willing to give than others.
Recommendations

Any campaign and drive to increase arts philanthropy will need commitment over time, a targeted approach and grounded realism. That includes the need to recognise the different types of arts audiences and philanthropists, bearing in mind that the overlap between the two is not always straight-forward, as they vary in their capacity to give as well as their motivation for giving.

Furthermore, it is necessary to appreciate that this push for increasing levels of philanthropy is taking place against the backdrop of many individuals, also experiencing financial pressures themselves. And as philanthropy is often considered a luxury or discretionary spend (Pharoah, 2009) many people are not planning on increasing their levels of giving, at least in the short-term. Finally, philanthropy must be encouraged to grow organically, in order to reflect the voluntary nature of the activity and the passion that people have for the causes that they give to.

There is also a dire need to recognise that the arts sector itself is not a homogenous entity, as we have exemplified, by showing how different performance indicators vary according to artform, region and size of organisation, which is directly related to their reach and their internal resources, some of which are very limited. Therefore it is necessary that any campaign on arts philanthropy addresses these issues appropriately and unapologetically.

The overarching suggestions:

- Maximise efficiencies with minimal resources
  - Collaborate with other partners where possible including businesses, arts organisations, other charities and audiences

- Develop a culture of asking in addition to a culture of giving
  - Organisations must learn how to provide and measure return on investment, justify their value and why they should continue to be funded (by any source)
  - They should not see this as a compromise of artistic integrity and they should therefore strive to maintain their creative freedom, as this is what audiences want

- Broaden and deepen networks, which should be used to spread the word and leverage additional support
  - Capitalise on collective action/ responsibility, which is gaining a lot of momentum, especially as a theme evoking ‘Big Society’ sensibilities

- Engage the ‘mass affluent’
  - Get them excited
  - Tailor messages
  - Ask them to give

12 (Stokes, 2010)
Exemplify their impact

As government funding, an incentive in itself for philanthropists, is expected to decrease, other incentives, initiatives or matched funding schemes should be put in place if the sector is to seriously succeed in filling some of the gaps from elsewhere.

According to the existing trends, the target should be to reach £450million of individual giving going into the arts by 2016. An additional £90million can be raised in the next six years only if the right interventions are put in place.

According to the analysis therefore, the potential for growth will come from mobilising arts audiences through collective philanthropy, which seems to be of interest to both mid-to-low and high level philanthropists (as with Bill Gates’ Giving Pledge). To this end the following simplistic observations/calculations serve purely as an indication of where the current trends could take us and where we should focus our attention on:

- **Friends schemes**: if at least half the sector were to have a Friends scheme (up from the current 32%), it could optimistically yield up to £98 million additional income for the sector, though a more realistic target would be £50-60million

- These could eventually also develop into fruitful Legacy schemes with more potential for income generation, where currently only 8% of the sector raised approximately £65 million in 2008/09

- **Crowdfunding**: if every one of the 9% of the most highly engaged arts audiences were to contribute £3 a year (the median arts donation as it currently stands), that could bring in an additional £10m

- **More people, giving more, to more organisations**: the number of organisations looking to individuals to raise income will inevitably increase, as should hopefully and in parallel the number of people giving. Furthermore, those who already give and can give more, such as the ‘mass affluent’, should also be mobilised to do so. With the right training and development for the sector, as well as the successful targeting of the right market, an additional £30million could be raised, thus reaching the £450million target for 2016.

These targets are informed by existing trends, built in a time of boom with plenty of government support. But even if only half of the additional income identified can be achieved in the short term, that would have a dramatic impact on the arts. However significant additional income will be unlikely to flow from such sources without a proactive drive to help the sector develop some of these suggestions in both the short and long term.
Appendix

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Methodology

The research was conducted in various stages:

- Quantitative research of the current trends and state of the marketplace was undertaken in August 2010, by surveying more than 200 arts organisations across the UK – this helped look at growth in private investment, from businesses, individuals and trusts and foundations, fundraising strategies, general performance indicators and responses to current financial pressures.

- Responses came from a very representative sample, ranging in terms of size, region, artform and whether or not they are members of Arts & Business and/or Regularly/Core Funded by one of the Arts Councils.

- Qualitative research profiling the ‘mass affluent’ – looking at their current engagement with the arts in terms of attendances, arts collecting, interests etc. as well as their philanthropic activities and how and why they would give more and/or more often. This research was conducted by Marketlink Research on behalf of Arts & Business.

- Desk research/ literature review – in depth profiling of various literature and material publically available around philanthropy in the US and the UK.

- Financial analysis and trends projecting according to the different sources and methodologies above.

Respondents

The respondents ranged from Senior Management level, including CEOs and Managing Directors, to Directors/ Heads/ Managers within the fundraising and development departments.
Respondents by artform

* Other combined arts includes Opera and Library/archives organisations
Respondents by region

Respondents by size of organisation – according to annual turnover
Additional ‘demographics’ of respondents’ organisations (% of respondents)
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