



Leonard French, *The Four Seasons of Life* 1987, enamel on composition board, 151 x 181.5 cm.
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Beyond Branding : Contemporary Marketing Challenges for Arts Organizations

by

Professor François Colbert
Chair in Arts Management
HEC MONTRÉAL

Kenneth Myer Lecture for the George Fairfax Fellowship
Edited by Ruth Rentschler

An event initiated by Professor Ruth Rentschler,
Centre for Leisure Management Research, Deakin University

Thursday 7 May 2009
NGV International (National Gallery of Victoria)



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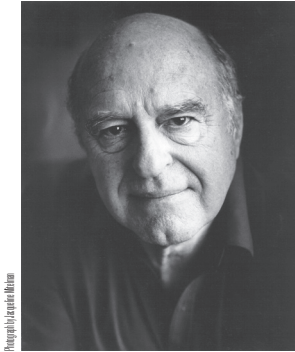
Kenneth Myer Lecture in Arts and Entertainment Management
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Professor François Colbert expresses his sincere thanks to the donors and the Fellowship for making his fellowship possible.



George Fairfax AM LL.D
4 April 1928–8 September 1996

For more than twenty years, as technical adviser, chief executive officer and finally general manager, George Fairfax was the central coordinator of the design brief and planner of operational needs for the \$200m multi-venue Victorian Arts Centre, establishing its operations, management structure and staffing. In this time he helped to establish the Arts Centre as, indisputably, one of the finest performing arts centres in the world today.

George Fairfax, actor, director, arts manager, was a man of great vision, integrity and generosity of spirit. Passionate about the importance of the arts in our lives, he had an extraordinary ability to draw the best from everyone whether they be artists, administrators or bureaucrats. As a fellow artist once put it 'he opened up the territory, created the conditions, maintained the landscape, made things possible. George was engineer, builder, carer and fighter for all of us'. George Fairfax has become a legendary figure in Australian theatre history.

George Fairfax's association with Deakin University extended over ten years. In this time, as chairman of the Arts and Entertainment Management Course Advisory Committee, a position he still held at the time of his death, George was instrumental in establishing the unique arts and entertainment management graduate diploma which, in 1996, was extended to include open learning students from all over Australia and New Zealand. George held the belief that the principles of running an arts organisation were much the same as any other business and that arts management needed to be taught, as it is at Deakin University, in an innovative school of management.

Deakin University has recognised the important contribution made by George Fairfax to this University by establishing the George Fairfax Fellowship in Arts & Entertainment Management. The Fellowship, which is awarded annually, brings distinguished practitioners and academics in arts and entertainment management from this country and from overseas to the University. It also provides the opportunity for open learning students to have first-hand experience and interaction with the visiting Fellow.

Vicki Fairfax
2009

Preface

This volume presents the Kenneth Myer Lecture by Francois Colbert, Chair in Arts Management, HEC Montréal. He is the 2009 George Fairfax Fellow in Arts and Entertainment Management at Deakin University, a prestigious appointment which has seen eminent fellows from around the world visit Deakin for over ten years of its successful operation.

The issue of arts marketing is a vexed one for many in the cultural and creative spheres. While of keen interest to arts managers and marketers, it has been traditionally seen as a dirty word. When the first arts management programs appeared in the 1980s in Australia, arts marketing was not taught or understood at tertiary level or in the industry. Very few arts organisations had marketers on their staff. If they existed, they were usually public relations officers in an operational role. There was no strategic oversight of the marketing function. In fact, one of the few arts organisations to employ a public relations officer was the National Gallery of Victoria (NGV), where the Kenneth Myer lecture is being held tonight. The NGV was considered innovative in spending public moneis on this position. Today, there are numerous people employed in positions as varied as development, philanthropy, public relations and marketing strategy.

Traditionally, arts management programs were located in schools of arts and performing arts, emerging as a consequence of the need to re-define and reinvigorate their offerings. Deakin University is truly unique in offering an integrated, creative arts management program in an innovative business faculty, nurturing artists and arts managers by having lecturers exposed to the latest issues and trends in management as well as experience in the cultural industry. In a sector concerned with performance, it has required a paradigm shift to see culture as fitting in a business environment.

Professor Colbert has been at the very forefront of the development of arts marketing. His books have been translated into many languages and are used in business schools and arts management programs throughout the world. Professor Colbert provides us with an overview of the development of arts marketing, given his broad and deep understanding of the field.

This publication places on record the importance of arts marketing as a continuing topic for debate, as chosen by the George Fairfax Fellow. This volume places the development of arts marketing at the forefront of discussion, in order to emphasise its international importance to arts management research.

Jenny Treloar again has assisted in the preparation of the event surrounding the Kenneth Myer lecture. I appreciate her work which always shows her dedication to the task, the high standards she sets for herself and the project at hand.

Ruth Rentschler

Melbourne, April 2009

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Abstract

While the arts field is more dynamic than ever, arts organizations move through various states of success in the consumer market as well as in markets for sponsorship, philanthropy and government support. World growth of those three sources of revenue has come to an end but fortunately or not, the increase in the number of organizations competing for such support has not stopped. In marketing terms, we say that the life cycle of the sector has not only reached maturity, but is totally saturated, with supply exceeding demand by a large margin. Three challenges must then be faced by current performing arts and heritage organizations: the positioning of their “brand”; the quality of their service to the clientele; and the information technology expected by more savvy consumers. This address concentrates on the consumer market, both national and international, but also parallels the position for the market of sponsorship, philanthropy and government support. Even if the diagnosis looks pessimistic, the position is not by any means a dead end. Adjustments in the marketing strategy of suppliers can help overcome this situation without compromising artistic integrity.

Lecture

Our domestic market is too small; there is a lack of interest in the arts among the population; we need more government support for the arts; the private sector does not do enough to encourage the arts; we are being steamrolled by the American machine of mass cultural production; our starvation budgets do not allow us to adequately promote our productions and exhibitions.

Those are claims repeatedly heard in Canada. In fact, are they not commonly heard around the world, even in the United States, despite its dominant position in the world entertainment and cultural markets? These issues provide much food for thought for marketing experts and push them to seek to identify the forces underlying these observations, or what some would call complaints. Is it really true that the domestic market is too small and that governments and philanthropists are too stingy? Could it be that there are other reasons for the fundamental problems facing cultural organizations? If all these barriers to cultural creation really exist, are there any possible solutions? Do these solutions require measures that go beyond the notion of branding? From a marketing standpoint, the answer is both no and yes: no, it's not a matter of domestic market size or a lack of understanding on the part of governments, and yes, there are more basic causes that place limits on the expression of artistic creations, including one cause that is never mentioned and that goes beyond the simple issue of branding – that of market saturation. Other marketing solutions can also be identified that do not receive sufficient attention.

Marketing is the art of “putting oneself in the consumer’s shoes,” of trying to find out who he is, how he makes his decisions and what motivates and interests him (Colbert, 2007). Another role of marketing is to manage the demand once you have understood how consumers behave and, then, to reach consumers by offering them a product at an acceptable price, making it available to them by means of an effective distribution network, and communicating with them in a targeted and effective manner. What marketing cannot do is create demand where

there is no fertile ground or sell a product to people who do not want it (Kotler & al., 2005). Once the market has reached its limit, it is difficult to expand it further. Arts organizations are by no means immune to this law of the market. The major problem that cultural organizations are currently grappling with is the saturation of their market. It is said that a market reaches its saturation point when demand ceases to grow, while new products or new organizations continue to attempt to stake their place in the sun, thereby intensifying the competition that already exists. This is the situation currently facing the entire cultural sector around the world; what can be seen is a surplus of supply over demand. And despite the efforts of companies and governments, it has not been possible to push demand upwards in order to rectify this situation.

The evolution of demand in the cultural industry

If one wants to identify the golden age of the cultural sector from a marketing perspective, it would mean looking to the thirty years spanning 1960 to 1990. Indeed, this period was marked by an unprecedented boom in the demand for cultural products. Driven by a series of fundamental trends, this demand saw amazing growth, even surpassing demand for sports sometime around 1975; even today, demand for cultural products outstrips demand for sports events (Colbert & al., 2007).

What are these fundamental trends that generated such a substantial positive impact? In fact, there are five main factors: population growth, increased household income, more leisure time, a more educated population and the phenomenon referred to as the emancipation of women, which saw the half of the population that had up to that point occupied itself with rearing children and household duties enter universities and the labour market en masse.

Let's take a brief look at these developments. Following the Second World War, the world entered the baby-boom era, which brought about a rapid growth in the population of 5% to 6% per year; the young people of this generation reached the age of consumption in 1960, forming a massive wave of new consumers. At the same time, real wages were going up (removing the effect of inflation) and the number of hours worked was going down. Simultaneously, higher education was becoming democratized, giving a greater portion of the population access to advanced learning. Under the influence of these four factors, demand for consumer and leisure products rose rapidly. Out of the choices of leisure available to them, female consumers opted massively for theatre and museum attendance. Sports events also experienced a growth in clientele as the male population grew at the same pace and their leisure time and income also rose. However, female consumers did not share this attraction to sports. There followed a sudden spike in the demand for cultural products, driven by female consumers. This in turn triggered the creation of all sorts of cultural organizations, with the encouragement of governments and the support of the private sector (notably in the form of sponsorships), which saw therein an opportunity to reach their own consumers. Around 1975, demand for cultural products matched that for indoor sports events, before going on to greatly surpass it in the ensuing years.

The 1980s saw a gradual tapering off of the effects produced by the first four factors that had led to such a strong rise in demand. The population was either no longer growing or growing at a much

slower pace (less than 1%, compared to the previous 5% or 6%); real income had levelled off, the work week had stabilized and education of the young generation had become the accepted norm. Starting in the 1990s, the strongly positive slope of the leisure demand curve began to turn downward and growth was increasingly anaemic. The market began to become saturated, as new companies, and thus new artistic offerings (or products, as they are known in marketing language), continued to emerge, flooding, so to speak, this market that was already struggling to provide a living for its artists. Moreover, many of the industrialized countries were receiving immigrants from completely different cultures, many of whom could not relate to the art being produced by the majority. To make a grave situation even worse, heavily indebted governments were increasingly unable to satisfy the requests pouring in from the arts community, the health sector, higher education institutions and all the other social causes vying for their attention. Artists were struggling to get by on salaries well below minimum wage, and while there was much talk about the poverty of artists and their essential role in society, nothing was done; the situation seemed to be at an impasse. But was it?

Profile of the cultural consumer

Before answering this question, let's stop for a moment to ask a few questions about the cultural consumer: Who is he and what market offerings is he interested in? Or perhaps we should ask: Who is she and what market offerings is she interested in? We will address this provocative set of questions below.

It's important to keep in mind that the market is not a monolithic entity; there are all kinds of consumers with widely differing tastes and preferences. In marketing, we perceive the market as being divided into subgroups of consumers sharing similar characteristics; we call them "market segments."

As far as the market for cultural goods is concerned, a fundamental difference can be established between two groups of artistic works: what we call "popular" art, and, for want of a better term, "high art" or "learned culture." The findings of forty years of research in industrialized countries around the world all arrive at the same conclusion: consumers of art can be seen on a continuum, with high art at one end and popular art at the other. The two extremities of this continuum can be distinguished by the socio-demographic characteristics of their clientele. In the first case, high art, the clientele is highly educated, while audiences at the other end of the continuum reflect nearly exactly the same characteristics of the general population, with 20 to 25% having a university degree and 50% having their high school diploma. Contemporary art institutions take the prize for the most educated patrons, with 85 to 90% of visitors holding a university degree; by comparison, this proportion is around 65% for symphony orchestras and theatres (Colbert, 2003). Despite the efforts of various ministries of culture and arts councils around the world to democratize access to culture since the 1960s – taking their cue from André Malraux, France's first minister of culture – the characteristics of these different arts audiences have not changed over the past forty years. A corollary to this is that the percentage of the population that consumes

high art is practically the same between countries, which is not surprising given comparable education levels and a similar customer mix. In absolute terms, however, it can be said that the number of high art spectators or visitors has increased, since the population itself has increased. Moreover, women make up two-thirds of the market for both high and popular art; unsurprisingly, this proportion is reversed in the case of sports events, where the audience is made up of two-thirds men and one-third women.

Thus, while popular art attracts an audience made up of people from all levels of society, cultural organizations must compete amongst themselves to attract a well-educated (and female) customer base that, at most, represents 50% of the population and that is also interested in popular art and sports.

Competition

To determine whether a market is saturated, marketing experts ask themselves two questions: 1) Does this market already have its fill of consumers? In other words, would it be possible to attract new consumers by increasing market segmentation or by better meeting the needs of those who stay away from us? 2) Would it be possible to convince the people who already use the product to use more of it? In other words, can we increase per capita consumption?

Before attempting to answer these two questions, a clarification is in order. In her purchasing decision, the cultural consumer does not make a distinction between high art and popular art. Indeed, aside from a very small number of discerning connoisseurs, the average consumer is looking for temporary entertainment when choosing a cultural venue. This means that all cultural products are in direct competition with all leisure products; the consumer's decision is based on her current state of mind, the opportunities available to her and her pocketbook. I use the words "she, her, hers" advisedly here, as it is mostly the woman who makes the purchasing decisions for arts and entertainment. As everyone knows, there are no shortage of opportunities for entertainment and leisure in our modern society; on the contrary, art, sports, television, travel, volunteer work and part-time studies are just a few examples of the myriad activities available to consumers to fill their leisure time. High art and popular art must play their cards right in order to successfully compete against all these exciting propositions vying for the consumer's attention.

Since the main topic of this address is high art, let's look at the questions asked at the beginning of this address as they apply to this specific sector of the art world. Why has the potential market for arts organizations reached its limit? As we know, growth in the demand for all leisure products, including those of the cultural sector, is driven by population growth. However, we have seen that the population is either no longer growing or growing very slowly. The same goes for income and leisure time.

Is there any hope, then, that educational levels will continue to rise and that the cultural sector will benefit from the correlation effect between the pursuit of a university education

and the fact of being interested in high art? Although the outlook is indeed good in this regard, this is not a factor that can be controlled by the marketing experts. Moreover, it is important to understand that the correlation between these two realities is not a relationship of cause and effect. In fact, the main factor accounting for an interest in high art is the values instilled by the family during childhood (Gainer, 1997). Families that encourage their children to pursue a university education also tend to promote the consumption of high art. Every once in a while, a passionate teacher may instil a love of high art in his students, but the most powerful factor across the board remains the values handed down by the family. In fact, that is why we find more women than men in audiences, as even today parents tend to push girls toward the arts and boys toward sports (refs please), although there are, of course, parents who try to avoid categorizing the sexes in this way -the majority of them from more highly educated families. In one sense, while educational level may not be the cause of an interest in high art, perhaps it reflects the sophistication of industrialized society.

Can marketing incite people who already attend theatres and museums to consume more? Despite the tremendous efforts made by governments to democratize culture (read high art), we must acknowledge that these policies have failed. After 50 years of efforts to make culture more accessible on the part of every industrialized country, with the notable exception of the United States, the only conclusion we can draw is that increasing the supply of cultural offerings does not automatically lead to an increase in demand. Even doubling the budget of the ministry of culture, as the French Culture Minister Jack Lang did in the late 1980s, has no effect on the demand curve (Donnat, 2002). And to rub salt in the wound, we can observe that the situation is the same in the United States; both the demographic profile of the clientele and the percentage of consumption in the population are the same, despite the low level of public investment in the arts by governments (National Endowment for the Arts, 1997).

Defining the problem at hand

So does this mean that nothing can be done to rectify the situation? Are cultural organizations and governments powerless in the face of these elements? The answer is both no and yes. No, if we believe that the solution lies in constantly increasing the number of cultural organizations. In the case of a saturated market, increasing the budgets earmarked for culture only serves to further subsidize consumers who have already been won over and to create businesses that lack customers and are kept alive artificially. As mentioned earlier, when demand is stable and all the potential consumers have been reached, it is difficult to expand the market; in the case that concerns us, we would have to change the values of the population to succeed in increasing demand for high art (Caldwell and Woodside, 2003). On the other hand, the answer is yes, if we can propose measures to help existing companies carve out greater market share, or, more importantly, preserve the market share they already have. This objective can be met by means of marketing measures that do not compromise creative freedom and restrict the creator's work.

Don't get it wrong, though! When we claim that the market is saturated and that there are too many arts organizations, it does not say that there is too much art in our society! We are merely pointing out that market size is a reality and that we cannot increase it artificially simply by driving up supply levels. Nor are we insinuating that we have to close the teaching institutions that train our artists. On the contrary, the training received by artists is of a very high quality and comparable to that found in other disciplines. Trained artists can make a valuable contribution by practising other trades or professions that benefit a society that can never have too many creative minds to help it solve the many problems facing our modern world. On the other hand, we cannot promise all those trained in a specific trade or profession that they will be able to practise in their chosen discipline, be it artistic or otherwise. However, we live in a democratic society in which everyone has the right to aspire to carve out their niche in the sector of their choice and to fulfil their dreams.

In a market that has reached the saturation phase of its life cycle, there is always a rebalancing of power among the players, with the weakest players disappearing to make way for companies that are stronger, more effectively managed or better able to meet consumers' needs. In a recessionary environment, this rebalancing of power is worsened because it has a devastating effect also on organisations that could otherwise survive. Granted, high art is not aimed at giving consumers what they want, which is closer to the mission of popular art. However, we shouldn't be surprised to see that, these days, many of the new arts companies emerging are finding it difficult to succeed in the marketplace, whether in terms of ticket sales, government funding or private sector support. At the same time, it is not uncommon to see even well-established companies struggling. When there are too many companies in the market, everyone has to fight to protect their territory. And when there are no company closings to restore balance in the offerings, as is the case in the cultural sector, then we have a product surplus. The market as we know it today is fantastic for arts lovers, who have an embarrassment of riches in terms of the dozens of productions or exhibitions available to them. It is absolutely impossible to see everything on offer in a large city in any given year. The supply surplus has a positive side for the consumer, but it is disastrous and disheartening for artists.

Just to give an idea of the magnitude of the task at hand and to illustrate what we mean by a saturated market, here is a simple example that draws on the situation in Canada, but the same can be found everywhere. In Canada, we have approximately 17,000 fiction writers for a total population of slightly over 30 million inhabitants. If one wanted each of these authors to be able to live on the 10% royalties they earn from sales of their novels – assuming that we want them to earn the same average annual income as a worker, which is \$30,000 per year – how many novels by Canadian authors would each family in Canada have to purchase? The answer is “close to 50.” So each Canadian family would have to buy nearly 50 novels by Canadian authors every year in order for all Canadian fiction writers to be able to earn a living by the pen. This objective is simply impossible to reach unless we suppress all other cultural offerings. In the performing arts alone, consumers are already overwhelmed by the number of productions available in any given year, not to mention all the movies and other popular culture products on offer! How is a publisher to get by in such a situation?

Marketing's solutions: Positioning

Going back to a previous comment regarding marketing as the art of “putting oneself in the consumer's shoes,” if we want a company to succeed, its manager has to make sure that he have a clear understanding of the market's structure and that he or she adapts to this structure. This goes beyond the simple question of product branding (Scott, 2000).

The marketing positioning exercise requires an analysis of the structure of the market that takes into account three elements: the advantages the product offers consumers, the segments existing in this market and the strength of each competitor (Colbert & al, 2008). Marketing positioning refers to the perception of the product in the minds of consumers and, in this case, the perception of one's product in the minds of consumers relative to competitors' products and existing market segments.

A product must be defined based on a set of benefits, as this is how it is perceived by the consumer. The consumer does not always purchase the product for the product itself, but rather for the value he or she attributes to it (Gainer, 1995). That is why products are offered in all kinds of variants (colour, format, price, etc.) that appeal to the different motivations of consumers and are promoted under different brand names. Out of all these different brands, the consumer makes a comparison between those that retain his attention and the one that he perceives as offering the greatest value or satisfaction is the one that earns his loyalty. Thus, all products and brands—whether cultural or otherwise—must undergo a specific positioning exercise, in which the company defines the benefits sought by the consumer, the product's target segment and advantages of its product over the competitors' product (Steinberg & al.1982).

Thus, positioning represents a broader definition of what is generally understood as branding. However, even if the product is positioned effectively, there is no automatic guarantee of success.

Marketing's solutions: Customer service

In a saturated market where supply greatly outstrips demand, a good positioning is not sufficient. Indeed, modern consumers are accustomed to obtaining impeccable—not to say personalized—service from the people looking to sell them their products. Some people are amazed at the success of the McDonald's fast-food chain, but this is an organization that is constantly studying each “moment” that the consumer is in contact with one of its outlets. Each moment of contact is meticulously analyzed to determine whether it is possible to provide the customer with even better service and increased satisfaction. The fast-food market is just as saturated as the arts market, with the result that customers can easily take their business to another supplier if they are not satisfied with their experience at a given restaurant.

The same principle applies to theatres and museums. Potential customers have a vast range of artistic offerings to choose from and there is no way they can see everything. Sometimes, they will hesitate between two or three museums whose exhibitions they are equally

attracted to. In such cases, customer service may be the deciding factor in their decision to choose one product over the others. Service quality encompasses everything from the warm welcome consumers feel when they call or visit a theatre, to the availability of parking, the accessibility of the venue by means of public transit or the handling of complaints (Rentschler & Gilmore, 2002). An additional consideration when it comes to customer service is the aging of the population, with all this entails in terms of reduced mobility and such like.

Marketing's solutions: Capitalizing on technology

At the same time as they expect excellent service, consumers also demand access to modern and rapid methods of acquiring tickets. When it comes to technology, we tend to immediately think of the younger market segment, but this is not the only audience segment affected by the technology factor, since, generally speaking, the high art audience, with its higher level of education, is also familiar with these tools. It goes without saying that an impeccable Web site that is regularly updated and easy to navigate is indispensable.

The use of technology, however, must involve more than just a Web site. While the digital distribution of artistic works is now taken for granted, the same cannot be said of the management of integrated data banks. Arts companies, particularly those that offer subscriptions, would be well advised to use a system that integrates ticket office data (subscribers and single-ticket purchasers, seats selected, etc.), the list of donors as well as lists used for promotional purposes. Integrating this information makes it easier to coordinate the actions of the organization's different departments, to compare the behaviour of each customer, to forecast audience preferences and to work on developing the loyalty of satisfied customers (Colbert & al., 2008). Take, for example, the relatively simple operation of converting a single-ticket customer into a subscriber and, eventually, a donor—without an integrated data base, this operation is much more difficult.

The use of a well-designed system should not be limited to tickets sales, subscriptions and donations, however. Marketing managers can also use such a system to track sales over time, to set seating area prices in such a way as to optimize consumers' willingness to pay or to apply dynamic pricing techniques. The principle of dynamic pricing is simple: the price of tickets is adjusted based on the demand for a production and the time remaining until the show; the closer to the show and to maximum seating capacity, the higher the ticket prices can be set (see for example Ravanis, P., 2007).

Conclusion

The consumption of cultural products is a reality for 100% of the population, a great number of whom consume many such products each year; everyone goes to shows, visits museums, watches movies on the big or small screen, listens to music on the radio or reads books. As such, it is not true to say that people are not interested in art. On the other hand, it is true that not everyone is interested in high art.

In the case of popular art, not only must companies compete at the national level with all the other forms of leisure available (including high art), they must also cope with the flood of American cultural products invading the domestic market. And they must do so without any reciprocal benefit—in other words, without the possibility of exporting on as large a scale in exchange. In the case of high culture, on the other hand, the challenge lies not so much in resisting American productions or other imports as in resisting popular culture products, which tend to be pervasive. The struggle is not the same. There is no real exchange of high art products on a significant scale between industrialized countries, as there is for popular culture. It remains, however, that competition in the leisure market is both diffuse and wide ranging.

We also need to keep in mind that, regardless of the market, it is not enough to offer the best product—in this case, the best artistic product—in order to resist both the competition and market saturation. Indeed, while we all agree that the quality of the artistic product is an essential factor, from a marketing perspective, it does not go far enough. What is also needed is communication about the artistic work that succeeds in breaking through the wall, in making itself heard above the “noise” of the market, with its cacophony of messages offering all kinds of leisure, as well as in making it through the filter that consumers erect to block out all this noise, simply because they are unable to process all this information without sinking into madness or melancholy.

A clear positioning that reinforces the positive perception of the brand (grounded in the unquestionable quality of the work), a service approach that makes customer satisfaction its top priority and a technological system that integrates information and optimizes pertinent management data—these are the best means of resistance for a cultural enterprise struggling to come out on top in a highly competitive, saturated market.

Finally, none of all this is possible without a savvy manager. And a savvy manager is not necessarily someone who holds a degree in management, although I dare say this is useful. Rather it is someone who has a talent for management, sound judgment and good instincts. Talent, judgment and instinct are the three main attributes of an effective manager. The manager is in the service of the artistic work and has to work as a team with the artistic manager and staff. Success is the result of the combined genius of all the members of an organization—from the receptionist to the executive director.

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author's note

François Colbert is professor of marketing and holder of the Carmelle and Rémi Marcoux Chair in Arts Management at HEC Montréal, Canada. He is editor of the International Journal of Arts Management (IJAM). In May 2002 he was awarded the Order of Canada for his unique contributions in developing the field of arts management. Professor Colbert served as vice-chair of the Canada Council for the Arts for eight years, until 2003. He is author of *Le Marketing des arts et de la culture*, now in its second edition and available in English as *Marketing Culture and the Arts*, as well as in German, Italian, Spanish, Chinese, Russian and Ukrainian (and soon in Korean). Professor Colbert is founding president and co-chair of the scientific committee of the International Conference on Arts and Cultural Management (AIMAC). He has an international reputation in the field of arts management and marketing for his contribution to the development of the field.

editor's note

Ruth Rentschler (PhD 1999 Monash) is foundation professor in Arts and Entertainment Management at Deakin University. She is also Executive Director, Centre for Leisure Management Research. Ruth is the author and editor of publications in the cultural field including the *Cultural and Entertainment Industries Handbook*, *Shaping Culture*, *Innovative Arts Marketing*, *The Entrepreneurial Arts Leader*, *Creative Marketing* (with Ian Fillis) and *Marketing Management* (with Anne-Marie Hede). She is on the editorial board of the *International Journal of Nonprofit and Voluntary Sector Marketing*, and has guest edited numerous issues of the *Journal of Arts Management Law and Society*. She is Deputy Chair of the Board for Multicultural Arts Victoria. Ruth is a keen enthusiast for Aboriginal art. In 2004-05 she completed a project funded by the Australian Institute of Aboriginal and Torres Strait Islander Studies on the Aboriginal art market. She worked on important projects on inclusion with the Department of Victorian Communities and then the Office of Multicultural Interests. She recently completed a project on arts governance in partnership with Arts Victoria and Chamber Music Australia.

