



Hidden Wealth Research Project

Updated Findings
April 2010 – June 2011

July 2011

A Culture 2020 Project

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Organisations wishing to participate in the third and final phase of this project (July 2011 – March 2012) may do so free of charge by contacting Arts Quarter via info@artsquarter.co.uk



Introduction

The report is our second under this research project which aims to work with arts organisations to assist them in the process of exploring their capacities to engage with individuals as donors. The project pre-dates the Coalition Government's Philanthropy Agenda but resonates strongly with the expressed desires of this Agenda to see arts organisations of all scales, art forms and regions actively diversify their private sector revenues, in part, through seeking the support of individuals.

Findings from the initial phase of work were reported in October 2010. This report builds on those findings and includes all those organisations that have taken part from April 2010 to June 2011 – a period of 15 months.

Some 78 arts organisations have taken part in the project to date and many continue to use their participation as the catalyst to begin the process of engaging with potential supporters as identified through the wealth screening process which forms one of the key elements of the project. We are extremely grateful to this 78 who have found the time to engage in this process, recognising that taking part has enabled them to reflect on the viability of them working with individuals in order to develop their income models as well as contributing to this bank of data. We will be looking to continue this project over the coming year at a time when the Department of Culture, Media and Sport, Arts Council England and Heritage Lottery Fund are all looking to launch programmes to develop asking and incentivise and promote giving.

In addition to reporting on the capacities of participating organisations to engage with securing revenue or capital gifts from individuals, some 52 of the 78 also took the opportunity to explore their potential to embark on proactive legacy marketing campaigns. The key findings of both processes are shown in this report.

AQ's sector-wide consultation on the ten-point plan at the heart of the Philanthropy in the Arts Agenda¹ provided a clear sense that the sector generally sees individual giving as an essential element of a wider development of business models and looks to Government and the relevant Departments and Agencies to facilitate this. Our own evaluation of the impacts of the recession on the arts² (which we will be repeating this summer) has to date shown that levels of growth in individual giving have remained strong since the affects of the recession were first felt although higher proportions of respondent arts organisations last summer expressed skepticism that growth could be sustained in light of impacts of government spending cuts generally and possible declining consumer confidence.

¹ Cultural Sectors' Response to the Coalition's Arts Philanthropy Agenda – Findings from the Arts Quarter Consultation: March 2011.

² Impacts of the Recession on the UK Cultural Sector: Findings from the 3rd Arts Quarter Survey: October 2010.

This research project aims to determine whether arts organisations have one of the most fundamental building blocks in place in order to begin the process of soliciting higher levels of giving from individuals – a community of potential supporters from within their audience or visitor bases with a financial capacity to give. Having such a constituency can be critical to developing and indeed delivering in this fundraising area in that these are individuals who are already aware of the organisation's work and to a greater or lesser extent will have elected to have a relationship with that body. Clearly this is only a part of the story but nonetheless a pivotal one if organisations are to move to embark on conversations with individuals, to take advantage fully of planned matched funding and evolve their revenue models over the longer term.

Methodology

Organisations were invited to take part in this project via a series of email broadcasts sent to members of the Arts Quarter mailing list. Display advertising also appeared in a number of arts trade journals over this period as well as notices appearing on the Arts Council England website. Those responding to the call to action then received further information on the project outlining requirements and outputs. Above and beyond the 78 who have taken part, a further 156 organisations requested information on the process.

For the purposes of reporting, all participating organisations were assured that any analysis shared in the public domain would remain anonymous.

Initial participation makes use of Prospecting for Gold's Wealth Intelligence Database (WID) and Legacy Prospecting Database (LPD), two factual datasets containing information aggregated from a range of sources in the public domain.

WID does not contain any modeled data. It only contains records of wealthy and influential people able to make or influence a donation of £5,000 or more. The wealth of an individual on WID is based on their free assets gathered from up to 30 different wealth indicators for each record. Currently, details of close to 350,000 individuals are held on WID including details of grant-making trust, livery company and corporate affiliations and directorships along with shareholder details and known giving histories where in the public domain.

LPD has been developed specifically for legacy marketing and planned giving fundraising. LPD is the first database in the UK to combine factual information about people's property wealth and life-stage information as well as their other liquid assets. This database contains around 350,000 records of individuals with properties valued at in excess of £500,000 along with information on age, years of residency at known address as well as other key attributes of relevance to legacy fundraising.

Organisations taking part provided to us audience/ visitor/ membership/ donor name and address data via a secure up-link which was then screened via one or both of these databases according to preference. All were screened via WID and some 52 also opted for LPD screening. Datasets screened varied considerably in number based on the scale of organisation and quality of individual data held. The average number of records screened per organisation was 12,148 but numbers varied considerably from one organisation submitting 145 individual records, right through to 67,233 being screened for another.

Once screening was completed, participating organisations were supplied with findings in the form of a one-page summary for each of the screening processes outlining –

- Number of screened records matched and then of that top line figure,
 - Numbers of records identified within a wide range of wealth bands denoting value of assets held excluding property (£50m+, £25m-£50m, £10m-£25m, £5m-£10m, £1m-£5m),
 - Known age-bands from age 26 to age 66+
 - Numbers of matched records with known Livery Company, grant-making trust or wider charitable affiliations, known shareholdings and company directorships.

Additional information provided to those opting for Legacy screening included –

- Estimated property values of known address
- Household status (single or multiple occupancy).

Findings from this screening process were then discussed either face-to-face or by telephone with the commissioning contact within each organisation. A series of questions were asked at this time to explore the current status of individual giving activities, general current levels of individual giving (if any), fundraising aspirations in this area and where known – tangible plans, staffing capacities and skills levels as well as potential for Trustee engagement. Interviews/ discussions have taken place usually with the most senior member of staff charged with fundraising. A total of 59 organisations took part in the formal interview process.

Thereafter as organisations have progressed with their thinking, many have continued to share insights and observations as well as detailed plans as they have emerged. A number have gone on to work actively with the findings of the screening process, calling down details of matched data records, undertaking research on these individuals and initiating fundraising conversations. At this stage, we are aware of 18 organisations who through participation in this process have gone on to recruit senior volunteer fundraisers based on matched data records, develop giving discussions with identified prospects and indeed secure initial leadership gifts.

We are proposing to continue with this project until the end of March 2012 by which time we anticipate that a number of key initiatives to build organisational fundraising capacity, match support secured and incentivise giving will have been launched. Additional organisations wishing to participate in this programme between July 2011 and March 2012 may do so by contacting info@artsquarter.co.uk to request further information.

Culture 2020

The Hidden Wealth Research Project forms part of Culture 2020 - a new initiative of research programmes, advocacy and other activities that will aim to plot and promote the continuing transformation of the UK cultural community over the next ten years.

The period until the end of the next Parliament has the potential to be one of profound change for the arts as it seeks to embrace and encourage higher levels of philanthropy, shift levels of engagement with audiences and create a new level of dialogue with Government, policy makers, business and media.

Above all, this programme will strive to communicate the cultural and economic value of the sector to the ongoing development of the UK's knowledge-based economy and within that, the vital role that the arts play in the wider commercial creative industries.

Key Findings: As identified via the screening process(es)

Wealth-band Matching: By Art Form

Among those taking part, Theatres showed the greatest number of WID matches across all wealth band levels, with higher proportions falling within the lowest wealth band threshold of £1m - £5m than any others. Visual Arts participants provided the highest number of matches at the higher end of the wealth band spectrum with more records indicating asset levels in the £25m - £50m and £50m+ categories among those individuals screened.

For all organisations taking part, the screening process identified individuals lying within the lowest asset wealth band of £1m - £5m, with all but two participants showing matches within the next highest asset category of £5m - £10m.

Wealth-band Matching: By Region – London vs Rest of England

All participating organisations based in London (26) showed post screen matches within the top two wealth band categories while only ten of the 52 organisations based in the rest of England did so.

Among participants based outside of London, Theatre respondents showed the highest number of matched data records across all categories, possibly in part a testament to their data gathering requirements by virtue of their art form.

Museum and Visual Arts participants demonstrated the highest numbers of matches of all art forms at the lower level wealth band categories of all organisations based outside of London.

Other Identified Give/ Get Potential

In addition to assets held and identified via the wealth band classifications, the screening process also highlighted other information about matched individuals of relevance to fundraisers in looking at opportunities to utilise data subjects to give or get support. Among those matched across all participating organisations, an average of -

- 41.9%* were identified as holders of stock/ share portfolios – potentially able to make over part of these holding as gifts instead of cash,
- 3.9%* were identified as being members of Livery Companies – many of whom make grants,
- 5.8%* were identified as sitting on the boards of charitable grant making bodies,
- 12.3%* were identified as donors to other organisations and therefore cognisant of the giving process,
- 43.3% were identified as holding company directorships and therefore potentially able to leverage or endorse support from those companies.

* of records matched per participating organisation.

Legacy Potential

Among those organisations whose data was screened via the Legacy Prospecting Database (52), the following key indicators came to light:

- Around 1.7% of the UK's private sector housing stock commands values at in excess of £500,000 (based on 2010 prices). Among our participating organisations, the percentage of matched records for properties owned by data subjects above this threshold averaged 3.3% - twice the UK base figure.
- Looking specifically at matched records across participating organisations, an average of –
 - 12.75%* were identified as occupying properties valued at in excess of £1m.
 - 12.3%* were identified as being aged 71-75 and a further 18.5%* as being aged 76+.

* of records matched per participating organisation.

Key Findings: As identified through interview

Capacities to Deliver

At the point of participating in this project, only nine out of the 78 participants were able to cite organisational examples of working with wealthy individuals in the last three to five years. Three were in the context of capital appeals where levels of individual giving had been significantly outweighed by statutory or charitable trust funding. The remaining six stated that they had established individual giving programmes, four of which since launch had failed to secure any take-up.

As staff members, only eleven out of the 59 senior staff members who took part in questioning were able to say with confidence that they had experience in working with high-net-worth individuals. All but three of those interviewed recognised the need to skill up in order to engage effectively with potential donors in order to secure levels of giving above and beyond standard membership scheme subscriptions.

On Legacy Fundraising, at the point of taking part in interview, no organisations were able to confirm that they had any form of legacy marketing programme underway even in its most basic form.

Possible Barriers to Success: All who took part in interview recognised that culturally, looking to engage proactively with wealthy individuals was likely to raise a number of potential barriers to success. The most frequently mentioned barriers were (greater number of mentions listed first):

- Inadequate staff resources to manage a programme effectively – split roles and responsibilities likely to impact on clear focus needed to deliver.
- Lack of a cogent Case for Support – a sector-wide issue as evidenced in our March 2011 report¹.
- Lack of understanding of the potential wider channels of support beyond cash gifts.
- Lack of sufficiently articulated plans in the medium term (beyond one year) in order to attract support.
- Lack of experience and skills within staff to plan and initiate a managed programme of activity and thereafter in managing and engaging with potential and actual donors.
- Lack of understanding across organisations as a whole of working with, engaging and managing relationships with potential and actual individual donors outside of the core fundraising function.
- Lack of appreciation within senior management generally and at Board levels of the process of engaging and servicing potential high donors.
- Lack of understanding of the process of gift acquisition and currently unrealistic expectations of the speed at which gifts might be secured and on that basis, the potential for any campaign to be perceived as failing if gifts were not leveraged within a relatively speedy timeframe.

¹ Cultural Sectors' Response to the Coalition's Arts Philanthropy Agenda – Findings from the Arts Quarter Consultation: March 2011.

Conclusions

We delayed the publication of these findings in order to reflect on the implications of the announcements made in late June and early July by Arts Council England, Heritage Lottery Fund and the Department of Culture Media and Sport highlighting the range of match funding and capacity building initiatives that will be implemented later this year.

These latest findings re-affirm what we were able to establish in our October 2010 Reporting on this project - that clear potential exists on a purely figurative basis for many organisations to engage with high net worth individuals and to translate existing ticket/attendance relationships into giving relationships. One key and essential element in this process of income diversification and increasing levels of arts philanthropy from individuals is clearly in place – in many cases a body of individuals with the wealth available does exist in varying degrees in many arts organisations.

What has become clear to us in undertaking this project has been the reality that no two organisations taking part are in the same position and therefore have expectations to deliver revenues to the same level or indeed at the same pace. Numbers of matches and levels of assets held by screened data subjects varied considerably between organisations taking part - often predicated by location, art form, and scale. In the context of having limited skills to pick up on any potential identified, many of those who have taken part to date have deferred moving forward with any individual giving activity until such time as resources can be made available. Participation has nonetheless given them the opportunity to prioritise investment based on the evidence provided.

Among those 156 who requested information on this programme, the principal reason cited for not ultimately taking part was no/ lack of data held on individual visitors/ audience members, by virtue of art form, scale or age of organisation. For these organisations, the prospect of engaging with individuals as donors offers considerable challenges where information held (if any) is only in the form of say, email addresses and so relationships may therefore be significantly distanced from the organisation to allow for effective and meaningful 1:1 communication in a fundraising context where personal/ eye-to-eye engagement is critical. The push by ACE & DCMS to encourage organisations to engage in digital fundraising is laudable in a 'crowd-funding' or direct-mail context - where organisations have contact bases of sufficient scale but in our client work and indeed in our research activities, we have yet to see an organisation that has been able to engage in high net worth fundraising effectively in the digital environment to the point of gift acquisition without any form of personal on-site engagement. For these 'e-list-only' or 'no-list' organisations - what prospects are there for individual giving without significant investment to develop these relationships - the return on which may not be seen for considerable periods of time?

Matched funding combined with tax incentives alongside work by the DCMS and ACE to actively promote giving to the arts later this year have the potential to do much to at very least point individuals in the direction of supporting arts organisations in greater numbers and at higher levels.

The effectiveness of the capacity building programmes proposed notably under Catalyst Arts will however be fundamental in supporting organisations to begin the process of working effectively with the base information that projects such as this are highlighting. AQ's March Report on the Philanthropy Agenda¹ highlighted some fundamental areas of concern to the sector notably in the areas of skills and lack of some of the key tools to facilitate giving – some of which has been re-affirmed within this project. Catalyst Arts has the clear potential to unlock many of the barriers to success as mentioned by our interviewees.

What these latest findings do not appear to support are the DCMS's proposals to match-fund organisations seeking to establish endowments irrespective of scale, location and art form. At this time, given the findings shown here (and we recognise that our sample size still needs development) and the evidence through interview of the lack of engagement by individuals among our participants, is that looking to engage with potential individual supporters to raise funding to support the establishment of an endowment may well be a step too far both in terms of intellectual capacities among those asking and indeed those giving. Many organisations are not used to asking individuals for support and many of those from whom support could be solicited simply do not at this stage have the quality of relationships with those organisations they know even as audience members to comprehend the proposition.

Our continuing delivery of this programme and others we have planned under Culture 2020 will look to monitor development in this area and others, moving forward.

In the coming months – we look forward to working with many more organisations in the context of this project and in supporting their capacity building in this key area both to the sector and to DCMS, ACE and HLF.

¹ Cultural Sectors' Response to the Coalition's Arts Philanthropy Agenda – Findings from the Arts Quarter Consultation: March 2011.

Participant Profile

In which region of the UK are you located?

(Number of Respondents)

East of England	3	South West	14
East Midlands	4	West Midlands	5
London	26	Yorkshire	2
North East	9	Scotland	0
North West	3	Wales	0
South East	12	Northern Ireland	0

Which of the following options best describes the main activity of your organisation?

(Number of Respondents)

Combined Arts (includes carnivals & festivals)	10
Dance	5
Digital Arts	3
Film	0
Gallery/ Visual Arts	15
Literature	3
Multi Art-Form Venue	9
Museum/ Heritage	7
Music	3
Opera	3
Theatre/ Drama	20

What is your current annual turnover?

Under £250,000	9.4%
Between 250,000 and £500,000	12.6%
Between £500,001 and £1 million	15.6%
Over £1m but less than £5m	43.7%
More than £5m	18.7%
Don't Know	0%

Does your organisation currently receive regular funding from the Arts Council, MLA or similar cultural funding body either regionally or nationally?

Yes	97.4%
No	2.6%
Don't Know	0%

Author: John Nicholls

John Nicholls founded AQ in January 2008. He has overall responsibility for the strategic direction of the partnership in addition to managing the firm's sector-wide research programmes. John also works with a wide range of clients across all areas of the firm's core business areas as well as developing its learning and professional development programmes.

John has worked as a senior business development, communications and brand professional for a number of arts organisations in the UK and overseas including Shakespeare's Globe where he held the position of Director of Development. He has also worked for the Young Vic, English National Ballet, San Francisco Symphony and The Washington Ballet in similar roles. Outside of the cultural sector he has worked for Friends of the Earth, the Royal Institute of International Affairs and Stonewall, improving the effectiveness of their communications and revenue generation activities - taking each of these organisations through significant processes of change to realize their ambitions. His most recent in-house role was as MD of London Calling Arts up until the end of 2007, diversifying the agency's client offer and significantly increasing profitability.

In addition to serving as Managing Partner of AQ, John is a Trustee of the National AIDS Trust, advising on fund-raising and succession planning. He also serves as a Trustee of South-East Dance. In the past, he has served as a Trustee of Headlong Theatre and was Chair of Pacitti Company. He also acts as ad-hoc advisor to a range of other arts organisations at Board level outside of the work undertaken through AQ.

As Managing Partner of AQ, he authored AQ's research report on the impacts of the 2012 Olympics on the UK cultural sector in November 2008. In March 2009, November 2009 and October 2010, he published reports on the impact of the recession on the UK cultural sector. In September 2009 he also published a briefing paper on cultural sector perceptions of the 2010 UK General Election which was followed in April 2010 by a briefing paper on the cultural sectors viewpoint of the arts manifestoes of major political parties.

In October 2010, AQ published the interim findings of its on-going Hidden Wealth Research Project, seeking to identify opportunities to develop individual giving within the cultural sector.

In January 2011 in collaboration with Legacy Foresight, AQ publishing findings from its research into the extent of Legacy Fundraising in the Arts.

In March 2011, AQ published the findings of its consultation of the Philanthropy in the Arts Agenda and in summer we will return to explore the ongoing impacts of the recession (and recovery) on the cultural sector with our Fourth Recession Impacts Survey.

Arts Quarter LLP (www.artsquarter.co.uk)

Arts Quarter was founded in January 2008 in direct response to calls for there to be an effective agency to develop skills and capacities within the UK cultural sector and to devise and implement innovative working practices and business models in the onset of a period of profound public and private sector funding for the arts.

Through our client work, we have active relationships with around 50 arts organisations of all scales, art forms and regions of the UK. Beyond this, we actively dialogue with over 500 arts organisations, government agencies and departments, policy formers and the media through our advocacy and research work.

AQ has rapidly established a reputation across the English-speaking world as the 'UK's leading cultural sector think-tank' and for bringing to the sector a range of services and products which resonate with the ever-changing climate in which its client sector is operating.

Through all of our activities, we seek to challenge conventional thinking within the cultural sector, stimulate discussion, create new ways of working and provide opportunities for learning and professional development.

Client Services

Revenue generation: we look to help organisations improve both earned and unearned revenue streams from improving ticketing returns through to fundraising of all kinds and from all sources. Outside of these areas we help organisations develop new commercial revenue streams based on their visions and values.

Structure: we help organisations to review their staffing and board skills and structures, revising HR practices where required as well as undertaking recruitment.

Branding and communications: we help organisations to understand the value inherent within their brand, and help to enhance communications and marketing both online and offline. Often, we are called on to undertake quantitative and qualitative market research as part of our work on brand development.

Building audiences: we help organisations build new audiences or find ways of getting greater value out of existing ones through improved marketing, event management and through relationship development.

Cost saving: as well as looking at the revenue side of organisations, we look at ways we can rationalise costs effectively and sensibly and above all in line with our clients' values:

AQ Energy

In the current economic climate and at a time when all cultural organisations are seeking meaningful ways to reduce costs without cutting programming, AQ Energy is helping the arts reduce its energy dependency and costs.

AQ Energy is a joint venture between Arts Quarter and Utility Aid. Utility Aid has been helping organisations in the wider charitable community to manage their energy usage by

- implementing the findings from free energy audits,
- installing over 700 smart meters and helping organisations to manage down their energy costs,
- wholesale energy purchasing.

Since 2002, Utility Aid has managed to reduce not-for-profit energy bills by over £4million. Recognising the need for arts organisations to manage their energy usage sensitively yet effectively, this joint venture with AQ aims to bring the opportunity to make considerable savings to the arts at a time when all organisations will be seeking to manage down overheads. Arts organisations will pay no direct fees to take advantage of this service.

AQ Recruitment

Mindful of the resources needed to find the highest calibre marketing, fundraising and executive staff, AQ is co-venturing with Harris Hill, the UK's leading charitable sector search and selection agency, to support arts organisations in meeting their recruitment needs in the most cost effective manner. Launched in January 2011, this is a full-service operation which seeks to manage the recruitment process from start to finish, thereby allowing organisations to continue to meet their day-to-day workloads.

AQ Research: Industry-wide Research & Advocacy

AQ is now regarded as the UK's leading cultural think-tank, exploring and reporting on issues important to the cultural and not-for-profit communities.

We regularly engage with around 500 arts organisations across the UK collecting performance and opinion data on issues ranging from the wider impacts of the 2008/9 Recession and its aftermath on the arts, engagement with the 2012 Olympics as well as views on key government policies. We publish our findings free-of-charge so that members of the sectors with whom we work can learn from wider trends and from areas of innovation that are shared with us by our research participants.

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