

CULTURAL MARKETING

How do american banks use the arts as a business tool ?



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There are two ways that most banks support charities in America. And while often times people confuse these two within a business setting, there is a clear distinction. Philanthropy is about "Doing Good". It is relatively pure, with no measurement, no 'strings' tied back to business. Money comes from a philanthropic budget with dedicated staff to find and fund responsible charitable programs. Sponsorship is about "doing good and doing business". It uses marketing dollars where there are definite business 'strings' tied back to the bank. Measurement is essential as the sponsorship is linked to specific objectives. Marketing staff often have multiple responsibilities which may include other Corporate Communications

functions (such as public relations, marketing or advertising) in addition to sponsorship.

Unfortunately, from the charity's perspective, no two banks are the same. Sometimes, Philanthropy and Sponsorship are housed in the same department; and, sometimes in different locations, reporting to different departments. However, both often take place simultaneously.

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In terms of tax considerations, there are tax implications when doing charitable work. This impacts individuals more than any other sector. Individuals usually take into consideration the tax rules when making their decision to donate to charitable

causes. For Corporate Philanthropy, the Internal Revenue Service allows corporations to deduct up to 10% of pre-tax earnings to philanthropic causes. However, the average American corporation gives less than 3% – so there is much room to grow. In terms of Corporate Sponsorship marketing, this is deductible as 'the cost of doing business'.

Sponsorship as a business tool

Sponsorship is a form of emotional marketing that money cannot buy, often more cost effective than advertising and other forms of traditional marketing and public relations efforts. Indeed, sponsorship can create an emotional connection unlike any other communications tool. However, more and more banks in the United States use sponsorship as a strategic **business tool**, that can have a measurable "Return on Investment". In today's tough economy and merged marketplace, increasingly banks in the United States are smarter in how they create strategic partnerships that make business sense. They understand that sponsorship can generate income, not expense. These banks realize that visibility is no longer enough.

Financial challenges in the united states

The financial landscape in the United States is a challenge to the non-profit world. There are over 300,000 American charities, of which 8,000 are arts groups.

RÉSUMÉ

Comment les banques américaines utilisent-elles la culture au service de leurs intérêts ?

■ Aux États-Unis, le domaine culturel et artistique est avant tout financé par le secteur privé (philanthropes, fondations, entreprises). L'État n'y intervient que de manière très sporadique. Pour preuve, les pouvoirs publics dépensent pour la culture dix fois moins que l'État français. De fait, l'implication de la sphère privée pour les arts a commencé, dès les années cinquante, soit bien plus tôt que le

mécénat d'entreprise en France. Cette tradition pour les pratiques philanthropiques ou de sponsoring a développé chez les entreprises américaines une recherche de rendement très affichée. La question de la distinction entre les deux termes "philanthropie" et "sponsoring" n'apparaît d'ailleurs pas comme un problème. Les banques, qui sont un des secteurs de financement les plus importants pour les

"arts", voient dans le "sponsoring" un réel outil de marketing pour développer leurs activités, parfois plus efficace que la publicité ou les relations publiques. En ce sens, les entreprises reconnaissent sans problème qu'elles se servent du sponsoring pour par exemple se rapprocher de leurs clients, pour promouvoir un savoir-faire ou pour pénétrer de nouveaux marchés.

Public Investissement (US dollars)

FRANCE (2004)

Ministry of Culture	\$ 1,73 billion*
Local administration	\$ 11,5 billion**
Total	13,23 billion

* 1,35 milliards euros

** 9 milliards euros

UNITED STATES (2005)

Federal Government	\$ 121 million for 2005
State support	294 million for 2005
Local support	711 million for 2005
Total	1,126 billion

BUSINESS OBJECTIVES

1. Gain closer access to a client or prospect by using "co-sponsorship";
2. Promote a product or service;
3. Enhance customer loyalty;
4. Access government officials;
5. Cultivate prospects;
6. Open a new office;
7. Platform or spotlight an executive;
8. Penetrate a new geography;
9. Penetrate a demographic niche;
10. Thank clients, referrals or sources;
11. Boost employee morale.

There are four sources or 'pots' of money that offer financial support to charities: corporations, foundations, individuals and the government (local, state, national).

However, the history of American philanthropic giving is based on the separation of Church and State, on a philosophy and tradition of volunteerism – time and money. Because there is no history of government "subvention" as in France, it has always been the American private sector (individuals and corporations) who have supported their communities.

Giving USA [1] estimates total private giving to arts, culture and humanities organizations is \$13.11 billion in 2003. The Business Committee for the Arts [2] estimates that American business support to the arts in 2003 was at a record \$3.32 billion. While there is no data compiled, we do know that banks and other financial services are one of the most active industries sponsoring the arts (two of the most active participants are American Express and Bank of America). The most recent figures for foundation giving estimates the arts to be \$4.1 billion in 2002. And, in terms of individuals, there are no sources of complementary data but conventional wisdom says that individuals are the largest source of private giving and hover around 70% of the total. The last 'pot' is the US government which is the smallest percentage of cultural giving and hovers around \$1.1 billion for 2005.

One fact is clear for both individuals

and corporations: the richest are not the most generous. Statistics show that close to 60% of individuals who give are considered 'middle class'. Similarly, well over 50% of the corporations who give are considered 'small', i.e., their annual revenue is between \$1 million – \$50 million. So, you do not have to be rich to be philanthropic.

Sponsorship motivations and criteria: image building & business building

No matter where the company may be located, and no matter its size, banks in the United States seem to have only two motivations behind a sponsorship: to build the image or to build **business**.

In the case of **brand building**, this was the driving force in the 1980s when sponsorship began in the United States. Here, the objectives are tied to visibility, impressions, lots of logos, public relations all trying to differentiate yourself from the bank down the street.

However, using sponsorship to meet **business objectives** is the driving motivation today behind bank sponsorship in the United States. Visibility is then layered on top. In this case, sponsorship is often used as a strategic marketing tool to meet several business objectives (see inset at left).

Business building case studies

So let me give you a few specific 'business building' examples.

1. Co-sponsorship / business to business. Co-sponsorship is an effective tool to gain closer access to important wholesale clients or prospects, especially if you are a bank. In addition, the budget is divided in half. To sponsor a Jose Carreras concert in Mexico City, Chase invited a major Mexican corporate finance client to partner on the sponsorship. The result was that the client increased its account by 30%.

2. Showcase products or services. Merrill Lynch sponsored an exhibition of the well-known video artist Nam June Paik at the Guggenheim Museum in New York, to demonstrate its technological capabilities.

3. Enhance customer loyalty. Fleet (now merged with Bank of America) offers its clients free admission to over 30 museums on the east coast by presenting their 24 hour ATM card with a program called "Museums on Us". They communicate this promotion with an insertion in a monthly bank statement. Most commercial banks, utilities and credit card companies offer discounts (through statement stuffers) on a monthly basis.

4. Access government officials. Morgan Stanley, the 'global sponsor' of the Orpheus Chamber Orchestra, entertained the Minister of Finance in Singapore as a non-traditional and innovative vehicle to gain closer access to an important government target. Chase annually entertained members of the House and Senate Banking Committees (and their secretaries) at the

Kennedy Center in Washington DC, also as a means to gain closer access, particularly to the “gatekeepers”. The result: appointments with Banking Committee members increased by 30%.

5.-7. Open new office, cultivate Prospects, spotlight an executive. Chase often sponsored American dance abroad. In one case, a sponsorship of the Paul Taylor Dance Company was used to open a new Private Bank office in Brussels. The bank invited 200 affluent prospects to a performance followed by dinner with the dancers. Less than three months later, this event generated \$20 million in new assets under management from 16 guests.

8. Penetrate a geography. For many years, Citibank was the lead sponsor of the New York City Ballet’s “Nutcracker” performance at Lincoln Center. When Citibank pulled out last year, Wachovia Bank (new to the New York market) became the next sponsor. Also in 2004, Bank of America (also new to the New York market) sponsored exhibitions at the American Museum of Natural History and the Whitney Museum of American Art. When Fleet Bank moved from Boston down to the New York market, it was particularly effective using arts sponsorship to build awareness in its new market. Not only did Fleet sponsor exhibitions (and street banners to promote the sponsorship), they also sponsored an exhibition *about the history of New York* at the Metropolitan Museum of Art (“Art and the Empire City: New York 1825-1861”).

9. Penetrate a demographic market. This is by far the most common way that banks use the arts as a business tool. As most banks are going after the high net worth market, the arts offer the logical demographic with its upscale following. UBS is the most active in its sponsorship

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[1] The Giving USA Foundation (tm) AAFRC Trust for Philanthropy is a foundation to advance research, education and public understanding of philanthropy that was founded in 1985 by the American Association of Fundraising Counsel

[2] The Business Committee for the Arts, Inc. (BCA), founded in 1967 by David Rockefeller, is a national not-for-profit organization that brings business and the arts together.

of “Art Basel” in Europe and more recently “Art Basel Miami” in Florida. Merrill Lunch has also sponsored a Hispanic art fair in Miami, aimed at the Hispanic affluent market. And, Fleet has a focus on the affluent female market and has created a women’s speaker series.

10. Thank clients, referrals, sources. Chase was the sponsor of the Martha Graham Dance Company at L’Opera de Palais (Garnier). They organized a private behind-the-scenes dinner with 60 wealthy European clients along with the dancers. One of most effective ways Chase used sponsorships was to create an exclusive experience that money could not buy, such as a backstage dinner at the opera, seated next to an étoile. While it took one year to track, the event generated \$40 million in new and increased assets under management ; the sponsorship cost \$40,000 (excluding entertainment costs).

11. Boost employee morale. Finally, we come to the employees. Keeping employees proud and happy is especially important in this merged environment where many feel a lack of loyalty. When HSBC sponsored of an Edward Steichen photography exhibition at the Whitney Museum of American Art, the bank hosted a special party for its employees to celebrate the bank’s 150th anniversary. Many banks have an ‘employee discount’ program where employees are offered free admission to museums and discounts to dance and theatre events as a means to boost morale as well to retain a good staff.

Measurement does not have to be complicated

Measurement is critical and often overlooked. If a bank sets specific business objectives, upfront, as part of the decision making process, you can always track success. To track

success, it does not have to be difficult or complicated. At Chase, I would create a simple questionnaire to those bankers who participated in the sponsorship, usually at the hospitality events. Questions would focus on *how the hospitality was used* (clients, prospects, referrals, etc.) followed by *how the sponsorship added value* (visibility, press, etc.). In addition, Chase often conducted a “control group” comparing clients who attended events versus clients who did not. For the Martha Graham event in Paris, we know that the sponsorship generated \$40 million in new and increased assets under management. However, our analysis shows that clients who attended the events in Paris increased their accounts by 20%; and those who did not, decreased their accounts by 10% – or a 30% differential.

Elements to a Successful Program

Here are a few tips to a successful program:

No matter whether you are considering philanthropy or sponsorship, always **be consistent with your own internal culture** and the bank’s overall philosophy.

Next, **set clear objectives:** be clear about what you are trying to achieve, upfront from the beginning. You should never surprise your partner, and you don’t want to be surprised by them either.

Create a partnership: communicate and implement together. Never sign a check and walk away. You want to work as hard for your cultural partner, as you hope they will work for you.

And finally, **measure:** you should always try to evaluate how well you met your objectives. This allows improvement for the future, justifies expenditures, and justifies an increased budget next year ! ■