‘Not for profit’ in the land of profit

Creating museum stores in North America

For obvious and tragic reasons, 2001 will be seen as *annus horribilis* in the North American tourism industry. Yet within North American museums and galleries, visitors are finding peace and an escape from the world outside. Indeed, as travel plans beyond North America are postponed, the previously recorded museum boom may well receive further impetus. Here, Robert Herber, an international retail consultant based in Toronto, explains how museum managers follow a well-trodden path to balancing the books.

When visiting the UK, or picking up *The Times* or *FT* in an airport somewhere, I have gathered the impression that Britain faces a unique funding crisis in its museums. Not so, my friends.

Equally, I visit and read about new cultural icons marking the new millennium in Britain and apparently this upsurge in activity is unique too. Perhaps this is not entirely true, either.

Over the past decade in North America, cultural institutions have faced a steady shrinking of government support at all levels. (Sounds familiar?)

At the same time, North American museums have been attracting visitors and interest as never before. Press headlines proclaim ‘IT’S THE AGE OF MUSEUMS’ and ‘BUILD IT AND THEY WILL COME’. For the first time ever, US museums attracted over *one billion* visitors in 2000. It is estimated that over *US$3 billion* were being raised and deployed on new museum projects in mid-2001, including one large new museum for every other State in the Union.

Are these phenomena - state holding back, museums pushing forward - connected, do you think?

Say a little prayer for capitalism, my friends, because that is precisely the connection we can observe at work here.

Starve cultural institutions of State funding and your average North American museum director becomes extremely inventive when approaching benefactors in the private sector. Capital campaigns and bonds, foundations and program sponsorships, in kind donations and endowments, bequests, investment instruments, financial services, even curator recruitment: you name it, the museum directors have worked it.

Funding the museum in the first place is one thing. Keeping the show on the road without bleeding benefactors dry is another. Private sector sponsors want to know that as much as possible is being done to attract paying visitors and to cover costs by optimising so-called secondary revenue. (Today, without secondary revenue, admission income will not get a museum to first base.)

In comparing North American museums’ revenue generation with what I have observed in the UK, I suspect there is very little the British can learn about events and corporate hospitality. Certainly in London, at venues like Shakespeare’s Globe and Vinopolis, the big banqueting bucks seem to be flowing south of the river.

Robert Herber CV

Robert W Herber is President of Herber Associates, internationally recognised experts in upscale retailing and earned income opportunities for museums. Originally based in South Africa, now Canada, Robert has been responsible for noted department stores, museum outlets, and academic contributions across three continents. Recently, Herber Associates have been adapting their world-class approach to branded retailing at London’s Vinopolis and Copia, the American Center for Wine, Food and the Arts in Napa, California, advising on ROM Global plans for the Royal Museum of Ontario, and mentoring senior executives in various North American enterprises.

Table: US Museums Retail Performance 2000

Museum Visitor Traffic (000s)	Retail Sales Per Square Foot (US$)	Average Retail Sales Per Visitor (US$)
125 – 200	288	2.85
200 – 500	590	2.12
500 – 4000	932	5.15

Source: American Museum Store Assocation / Herber Associates

Left: 'The better visited the museum, the better branded the museum, the better the retail income flows' *Right: Inside Copia's store*

The main differences seem to be in how North American museums *export* their products and services. First, they put their exhibitions on the road more. (After all, there is a lot more road to travel over here.) Second, they mine the seam of *intellectual property rights* more intensively. It is in these ways that they can be seen to be acting in the spirit of their mission, defending principles of scholarly integrity, behaving as a 'not for profit' institution should be seen to behave - and yet ensuring their income streams flow.

I.P.R. generates considerable income at the academic end of the spectrum - through image bank reproduction fees, distance learning services, publishing, research-based consulting, and so forth - but the major upsides flow from merchandise, retail merchandise, branded retail merchandise. The better visited the museum, the better branded the museum, the better the retail income flows. Consider the table printed here, based on data published by the American Museum Store Association. As visitor numbers multiply, so do retail sales per square foot. Consider the brand values a Smithsonian can flex versus an ordinary State museum. It is like marrying the brand strength of Disney to the educational standards of Harvard. The average retail sales per buying visitor in North American museums for the year 2000 were US$9.48 and the average gross margin 47 per cent. Apply the dollar-pound rule that transatlantic shoppers understand full well and you can estimate that UK museums could be looking at a gross profit of virtually £5 per buying customer if they matched those figures.

The only retail outlet in a UK museum which I have observed come close to those numbers is Vinopolis. So it made sense to apply the lessons we learnt there to Copia, the American Center for Wine, Food & the Arts, when developing the retail store at its beautiful site in Napa, California. Unlike Vinopolis, Copia is established as a not for profit institution, so it has to apply commercial principles with restraint, but some key lessons travel easily.

First, *design*. Just as you will find the Vinopolis brand identity in all the top design awards books, so Copia's livery is faithfully and elegantly extended across its merchandise and displays.

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Second, *authority*. Whatever we decided to stock, we determined to stock it in depth, connect the assortment to curators' objectives, and provide effective 'memories of the day'. Just as Vinopolis was committed to the richest selection of stemware, wine books, accessories and wines anywhere, so Copia's store has focused for its opening on regions (North West USA), our own brand of wines, and crucial comestibles - Salt, Honey, Olive Oil - whilst reflecting its educational offer in a major book selection (cookery, wine, gardening). In California we entertain outdoors so our wining, dining and gardening selection reflects this, in a way no wine, food or kitchen store would normally attempt.

Third, *terms*. The moment our suppliers realise they 'cannot afford not to be here', they become partners and the retail margins do as they should: they support the museum's mission with good, honest income. In summary, the museum store's role is to earn income as an extension of each visit to the museum itself.

If all goes to plan after we open Copia, on November 18, we hope to have planted the seeds of a brand. We are lucky to have the great and the good of American wine, food, arts, academy and business behind us, led by the great Bob Mondavi. We are lucky to have the commercial lessons of not for profit American museums on which to draw. (Our Director, Peggy Loar, has been President of the Wolfsonian Museum and before that Director of the Smithsonian's Travelling Exhibition Services, and she also presides over the US Committee of the International Council of Museums. When these California wine makers go out to hire someone, they do not mess around.) We are also lucky to have experienced a wine museum store getting under way at Vinopolis. But if we really get lucky, we will have created a brand. Which is why the retail store at Copia has its own name. Cornucopia.

Come visit, my friends, when travelling to the West Coast gets back to normal. It may be not for profit but it is all in the best possible taste.

Images courtesy of Copia: the American Center for Wine, Food & the Arts