Chapter 2

Taming the Dreaded Situation Analysis

This Chapter...

• Provides an overview of the key components of the Marketing Situation Analysis. . . answering the question, “Where are we?”

• Provides an outline and arts-specific questions to streamline the three key components of the Situation Analysis: the Environmental Analysis, the Competitive Analysis and the S.W.O.T. Analysis.
Part I. The Situation Analysis
Marketing planning begins with the Situation Analysis, or an intense self-examination that involves answering the question, “Where are we?” by asking a series of questions about your organization and the world in which you function to narrow down the monumental problem of expanding your audience—questions such as: What is our mission? Who is our current customer? Who else could be a potential customer for us? Who do we compete with for our customer’s time and money? What are the key issues facing my organization, my industry and my community? What are our internal strengths and weaknesses? What are our external opportunities and threats?

The process can be described as an hourglass: All the background research is on the top, helping you refine the number of potential solutions (the annual marketing objectives), which are represented in the middle of the hourglass, and finally, the marketing strategies and tactics are fanned out at the bottom. The process helps define your problems and opportunities relative to meeting business goals while fulfilling the mission, and helps you determine the value of the artistic product relative to customers’ needs, the competition and the environment as a whole. It takes place in three stages.

THE 3 STAGES OF SITUATION ANALYSIS

1. **THE ENVIRONMENTAL ANALYSIS**, where you examine issues effecting the economy and society, and look at demographic trends.

2. **THE COMPETITIVE ANALYSIS**, where you see the competition through your customers’ eyes, and objectively assess their strengths and weaknesses.

3. **THE S.W.O.T. ANALYSIS**, where you impartially assess your organization’s strengths and weaknesses, and the external opportunities and threats facing the organization, again, through your customers’ eyes.
Stage 1: The Environmental Analysis.

The Environmental Analysis looks at trends that are affecting society as a whole, then helps you understand which of those trends can, and which cannot, be addressed by a marketing plan. This outward look beyond our own doors, beyond even the arts community’s doors, can provide a helpful perspective when developing marketing plans, and when assessing them, too.

You can learn a lot of things by looking outside your organization. For example: On the opening night of a highly awaited play, a theatre is empty, when it should have been a full house. The Marketing manager wonders what he or she did wrong. Could it have been that one bad review in an online publication? Did the theatre use the wrong mailing list for their direct-mail campaign? Is the programming for their whole season off the mark? The only mistake the theatre might have made was scheduling opening night during the NBA playoffs, or on the first day of a major road construction project, or on the night of a particularly contentious school board meeting. Sometimes, the success or failure of your Marketing plan has nothing to do with factors internal to your organization, but with factors entirely unrelated to the arts.

The Big Picture.

A general review of the literature reveals a large shift in who attends the arts, what they attend, why they do so, where and when they go, and how they make their choices. It stems from a dramatic change in the way people use their time for both work and leisure, the changing role of women in society, and the rise of “virtual” entertainment and the internet, among other factors.

The chart that follows summarizes some of the major trends related to arts participation.
MAJOR NATIONAL TRENDS
Below are some major trends that are shaping the country as a whole. Start with these, then look into the specific key issues shaping your city.

ECONOMIC TRENDS
• The economic downturn has put the squeeze on all sources of income including earned income but also donations from corporations to individuals, government agencies to foundations.
• Stagnant household incomes have cut Americans’ spending on tickets. Americans are afraid to spend for fear that the economy has not reached bottom.
• Hybrid of philanthropy and sponsorship, as well as the advent of strategic philanthropy, is confusing, time-consuming and placing added pressures on arts groups.
• Demands for greater accountability/return-on-investment by sponsors and funders require a new set of skills for arts managers.

CULTURAL TRENDS
• Time pressure on two-career families has generated a focus on convenience (65% stay home Saturday nights).
• Delayed childbearing means women are constrained by family responsibilities, and the costs associated with a family, later and longer.
• Employed women have abdicated the role of decision-maker regarding family outings, so no one is planning ahead, or the kids are driving the decision and last-minute, group decision-making is the norm.
• TV and multimedia available via the internet have shaped a passive, visually-oriented, stay-at-home culture; increased TV watching has been correlated with decreased arts attendance.
• At the same time people are looking to anchor themselves in their communities and need a conduit to those social interactions.
• 55% of Americans want to “have more fun”, 58% want more romance and mystery. (American Demographics, 2000)

DEMOGRAPHIC TRENDS
• Aging/graying of the audience, leading to an increased need for ease and comfort among current audiences, as well as a marked decline in audience numbers.
• Life stage has become more important than age, income and education in predicting behavior. In other words, adults at any age, with disposable income and any degree of arts education, will remain home if they have small children.
• In older, industrial cities, the population is shifting toward suburbs/exurbs, but older couples are moving back into central urban areas. In newer cities, a “downtown” or central arts area may not exist. And foreclosures are rampant everywhere leaving “blank” spots in many neighborhoods.
• Ethnic/minority markets are increasing in size, spending power, to the point that they are no longer “minorities”.
• Generation Y-ers and other younger audiences demand “unique experiences,” find product information online only, and process selling information very differently (read: skeptically) than Boomers.
• Decreases in arts education and increasing diversity mean less familiarity with, or agreement upon, the “standard” arts repertoire.
**What's it all About?**

Just making a list of environmental, social and demographic trends isn't the end goal of an Environmental Analysis. Next, you need to look these trends over and determine if and how each is affecting your ability to develop new audiences and retain your current audiences. Some trends may be having a significant impact; others may not. Some may be having an immediate impact; others may become issues in three to five years but can be planned for now.

It’s important that you draw conclusions based on your Environmental Analysis. In other words, which findings can and should you be taking action on? While the growth of the minority population is affecting audience development in many urban areas, is it an issue in yours? Which minority audiences? What more do you need to know about them to reach them as a potential new audience? Use worksheet 2.4 at the end of the chapter to focus your insights.

**Environmental Exercise:**

As you begin the Marketing planning process, start a marketing trends file for relevant newspaper and magazine articles. You’ll save research time when you update your Marketing plan in the future. What trends should your organization should pay attention to? Try to see things from your customers’ perspectives by using the “So what?” Rule. Look over all the trends you’ve listed and ask “So What?” Will it have high, medium or low impact on your ability to build new audiences? Take the trends that have high and medium impact, and use these to inform and adjust your Marketing plan.

**Stage 2: The Competitive Analysis.**

Competition is one of the most important features of the external environment, because what the competition does, or fails to do, can make or break a new audience strategy. There are three types of competition to take into account:

1) Direct competition from similar art forms;

2) Products that can be substituted for one another, e.g., other art forms and leisure options; and

3) All products competing for the customer's entertainment dollar.

Most arts groups are keenly aware of their direct competition. Nonetheless, they may not have taken the time to thoroughly analyze the competition in terms of their size,
## Worksheet 2.1
### COMPETITIVE ANALYSIS

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objectives, market share, product offerings, price, and other strengths and weaknesses. Are they innovative? Are they effective and efficient marketers? Do they have a well-established positioning? Or is there a chink in their armor, e.g., a tendency to rest on their laurels, that an enterprising upstart could take advantage of? A thorough analysis will show whether you can compete with them on the basis of quality, price, customer service, responsiveness to marketplace trends, or by recognizing an unmet need and filling it. Use Worksheet 2.1 to assess your competition and highlight competitive opportunities.

You should also attempt to discover the competition’s appeal to audiences: What meaningful benefits do they offer versus you? What meaningful benefits do you offer versus them? Again, a thorough Competitive Analysis will reveal whether your organization can compete on the basis of quality, uniqueness, price, customer service, responsiveness to marketplace trends, or by recognizing an unmet need and filling it. It’s important to reflect your audience’s values in this analysis, not yours, and to be honest—don’t just spout the “party line.” To do that, you must walk in your audience’s shoes. “Shop” both the competition’s and your own product (or ask an objective person you trust to go in your place) and analyze the total experience—from the artistic experience, to the performers, ticketing and customer service, parking, transportation, etc.

It’s important also to look at possible “substitutes” that compete for your customer’s time and attention. While you’re focused on your fierce, tooth-and-nail competition with the theater down the street, some of your audience may see it as a choice between your production, seeing a favorite sports team play, browsing a bookstore or just staying in with a rented movie and carry-out Chinese. Arts organizations need to consider the wider universe of available leisure options when assessing their competitive environment.

Finally, remember that people’s pocketbooks aren’t bottomless. Even in good economic times, general competition for discretionary dollars in our consumer culture is intense, and can include everything from cars to collectables to travel and toys. Millions of marketing messages assault consumers every day—providing a noisy backdrop against which arts marketers must make their product stand out as a compelling choice.

**COMPETITIVE EXERCISE 1:**
Play secret shopper at your competition to experience the organization through your customer’s eyes. Was your venue easy to find? Was the signage consistent with the brand? Did someone greet you? Did you easily find what you were looking for? Was the staff helpful?

**COMPETITIVE EXERCISE 2:**
Kitchen Table test. Gather as many of your competitors’ communications materials. Gather your own organization’s communications materials. Lay these materials on the “kitchen table” and see if you can draw conclusions from looking at each organization’s work— Including your own organization. Do the materials present a consistent image? How does each organization “brand” itself? Can you draw conclusions about what customers they’re targeting? What is the key message for each organization? Is the message specific or general? Identify and write down all the comparisons and contrasts between your organization and the competition.
Stage 3: The SWOT Analysis

Up to this point, you’ve mainly been looking at the outside world and how it will affect your organization. Now it’s time to conduct the Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis which offers a helpful format for unearthing important issues facing your organization and getting input from others. The more minds the merrier here—convene one or more SWOT brainstorm sessions with selected staff, management or board members to get a complete picture of the internal and external factors that could impact your marketing plan.

**Internal Factors.** The first part of the SWOT Analysis is an in-depth self-audit that looks at the strengths and weaknesses of the organization as a whole. This should include every aspect of your operation from governance and budgeting to box office management and fundraising. It is important to be very thorough here, but not too negative—the purpose of finding problems is so that they can be corrected. Also, give yourself credit for real strengths that can be built upon—they may suggest opportunities you’ve never considered before.

One way to organize your discussion of strengths and weaknesses is to use the six “P’s” of marketing as a guide. Example questions are listed below.

**External Factors.** This part of the exercise can be lots of fun because you get to

### INTERNAL AUDIT OF STRENGTHS AND WEAKNESSES

#### Product
What kinds of products or activities are we offering? When and where do we offer them? Are there other products we could be offering based on our strengths and gaps in the marketplace? Which would most improve our financial picture?

#### Place
Is our location attractive and comfortable for our public? Does the signage make the most of our identity? Is it easy or difficult to reach? Could we bring the product to the public in some other way?

#### Price
How much does it cost to participate (time and money) from the time the customers leave home until they get home? How easy is parking, dining, other amenities? How is our ticketing and customer service? How does our cost compare to competing arts and non-arts options?
brainstorm new opportunities based on unique strengths you identified in the internal audit, as well as unmet needs and other gaps in the marketplace. Use data from your environmental and competitive analysis to help you identify some of these opportunities. For instance, a dance company’s environmental analysis shows an increase in the number of empty nesters in the company’s geographic area over the next few years. At the same time, there has been a revival of swing music—voilà, a potential new program for older couples who want to learn swing dancing.

You should also look at the possible threats facing your organization, including competition and other local, regional and national trends that could affect your audience. Most external threats are out of your control, but you should develop strategies that address these potential challenges. Usually, for every threat there is a related opportunity if you think creatively.

**Drawing Conclusions.** Now, it’s time to prioritize your list of strengths, weaknesses, opportunities and threats by conducting a quadrant analysis. What opportunities did you find that play to the strengths of your organization, making them easiest to take advantage of? What opportunities might you be unprepared to capture because of organizational weaknesses? Now do the same looking at the external threats versus your internal strengths and weaknesses. You list should now be only 5-7 major issues to be addressed by the marketing plan. Use Worksheet 2.2 to summarize your findings.

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**TYPES OF OPPORTUNITIES**

- LARGE/GROWING MARKETS
- UNIQUE NICHES
- VIRGIN TERRITORY (no or limited competition)
- SEASONAL PROGRAMS
- GEOGRAPHIC EXPANSION
- TRENDS (e.g., swing music)
- NEW AUDIENCE SEGMENTS (age, life stage, ethnicity, groups)
- COLLABORATIONS

**TYPES OF THREATS**

- NEW/STRONG COMPETITORS
- ECONOMIC DOWNTURN
- COMMUNITY CHANGES
- CHANGES IN FUNDING PATTERNS

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**INTERNAL AUDIT OF STRENGTHS AND WEAKNESSES, cont’d**

**Promotion**

What are we saying about ourselves? What communications tactics are we currently using? Which have worked best/least? What other messages and media could we be using? Are we budgeting enough for marketing to be effective? Are we capturing the data to know what’s working and what’s not?

**People**

Who is our customer? Who could be our customer? Are we making the best use of internal publics (board members, management, staff)? Do we need more volunteers? Do frontline staff convey a hospitable, quality image?

**Positioning**

How have you defined yourselves to your target customer relative to the competition? Is your position truly unique and meaningful to the public? How could you position yourselves for new customers?
**Worksheet 2.2**
**SWOT ANALYSIS**

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<th>1. Strengths</th>
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**Directions:** Fill out the grid in the numbered order, beginning with your organization's key strengths, then weaknesses, then the external opportunities, and finally the external threats. Next, working in Box 5, examine your key external opportunities in light of your major strengths. Move on to boxes 6, 7, and 8 following the same analytical pattern. Box 5 represents your greatest opportunities while Box 8 represents those things that may thwart your growth. When you have finished, go on to the next page - **SWOT Summary**
Worksheet 2.3
SWOT SUMMARY

1. In the box below, summarize your findings from the SWOT chart.

2. Analyze your observations. Start thinking about your organization's marketing objectives based on what you've learned about its strengths, weaknesses, opportunities and threats. Your best opportunities probably play to your organizational strengths. The external threats that play to your organizations greatest weaknesses are issues you must worry most about. Remember the Rule of Threes (your organization can't tackle more than the top three issues).

It may be harder for your organization to recognize opportunities and Threats. Here are some examples to help you analyze your SWOT responses.

Types of Opportunities
- Large/growing markets
- Unique niches
- Virgin territory (no or limited competition)
- Seasonal programs
- Geographic expansion
- Trends (e.g., swing music)
- New audience segments (age, life stage, ethnicity, groups)
- Collaborations

Types of Threats
- New/strong competitors
- Economic downturn
- Community changes
- Changes in funding patterns
Taming the Dreaded Situation Analysis

Part II. Understanding the Customer

Now that you thoroughly understand your situation, it’s time to get to know your customer better. In the past five to ten years, numerous studies have attempted to understand how different segments of the population relate to the arts product, but few have put the arts in a larger context—amid the avalanche of entertainment and recreation options that compete for the consumer’s scarce leisure time and dollars on a daily basis.

Using Secondary Research.

Again, we’re starting at the widest part of the hourglass, so you want to look for existing information on your local general population. Often, research has been conducted by state and local governments regarding the arts. In particular, they may have done studies on the economic impact of the arts locally. Check with your state arts council, your city planning department, and even local philanthropic organizations, for any information they may have regarding trends in audience behavior and demographics.

Demographic trends also can be found by visiting the U.S. Census Bureau web site at www.census.gov. Information on your local population can be found there and is broken out in a variety of ways, even as finitely as by zip-plus-four and by block (your tax dollars at work for you!). You should look both at general trends on demographics to understand the makeup of the total population versus your arts audiences, and you should be looking at trends in the demographics of your own audience.

Say, for instance, that the population trend includes increased migration from Asia, displacing Mexican immigrants, who are moving out of your neighborhood to the suburbs. If your mission is to focus on Latin American dance, a key issue for you will be to determine how you can retain your current audience, or it may be to expand your offerings to include Asian dance as well, or you may choose to change locations. Or, for instance you may have a healthy and stable audience base of 18 - 35 year olds, but find in looking at census data that the long-term outlook for that age bracket is a downward trend.
Forewarned is Forearmed.

The point is to uncover issues currently facing your organization and to anticipate issues before they become serious problems. For example, the graying of the audience should have been no surprise to anyone. Boomers have been the big news in demographics for the last 40 years. A focus on them as an age group because of their sheer size, to the exclusion of others, would logically lead to an eventual decline in audience size.

Next, look for general information on audiences for your art form. Much research has been conducted by the National Endowment for the Arts (www.arts.endow.gov; look under publications). This can give you a picture of the specific audience for your art form, which you can compare to your current audience for potential new audience development opportunities. There also may be information on these audiences attitudes’ toward the arts form, their likes and dislikes, etc.

Finally, look to your own audience surveys for clues into growth areas.

Much more is devoted to the specifics of choosing a target audience in Chapter Three. Right now, your focus is uncovering broad demographic segments with the greatest potential for further exploration.
Value has more to do with what audiences get out of the total arts experience, and cost has to do with the time and effort it takes to plan and participate in an arts event.

### Part III. Arts Participation Research

The Arts Marketing Center of the Arts & Business Council of Chicago conducted two studies into audience behavior in the Metro Chicago area: *Expanding the Market for the Arts in Metro Chicago* is a quantitative study of the market for leisure-time activities in the greater Chicagoland area; and *Barriers and Motivations to Increased Arts Usage Among Medium and Light Users* is a qualitative study of light and medium arts users. Among their findings, both provide some general conclusions that can be applied to audiences nationally.

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<th>PRICE/VALUE RELATIONSHIP</th>
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<td>Logistical obstacles</td>
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<td>Energy/knowledge needed for appreciation</td>
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Overall, both studies found that increasing participation in the arts by people who are currently not heavy users of the arts is a matter of increasing value while lowering costs. It would be easy to equate “value” with “artistic quality” and “cost” with “price,” but in the arts, both concepts are much broader, and present numerous opportunities for growing audiences. Value has more to do with what audiences get out of the total arts experience, and cost has to do with the time and effort it takes to plan and participate in an arts event.
What Is the “Arts Experience”?  
People define the arts experience as spanning the period from the time they leave the house until the time they get home again. That presents an opportunity for arts organizations to know their audiences and potential audiences well enough to understand what’s happening during the time the audiences are outside the theatre or museum, and control as much of that experience for their customers as possible.

**Arts Participation Rates**

For example, participation is higher for more casual, self-guided art forms than more planned forms, and for more visual/verbal art forms versus interpretive art forms. In other words, museums draw a larger crowd that’s made up of people with varying degrees of love for the arts than, say, ballet or opera. Several conclusions can be drawn from this, including making planning and ticket buying for the performing arts easier, improving customer service, describing the show or performance in “non-arts language,” bundling tickets with pre-show dinner and post-show discussions, etc.

We are in the age of the “non-planner,” in which attendance is higher for more casual self-guided arts forms than more planned forms.

For more on arts participation trends, read the 2009 Greater Philadelphia Cultural Alliance report “Research Into Action: Pathways to New Opportunities” http://www.philaculture.org/research/reports/research-into-action
On any given night, or on any gallery tour, you'll find a mix of extremely loyal patrons, some heavy users who are dissatisfied, loyal single-ticket buyers and first-time users.


Who’s the Audience?
Every arts audience is made up of people with varying degrees of love for the arts, i.e. not every audience member eats, sleeps, lives, breathes and dies for the arts the way we do. In fact, on any given night, or on any gallery tour, you'll find a mix of extremely loyal patrons, some heavy users who are dissatisfied, loyal single-ticket buyers and first-time users. The percent of each of those four groups changes somewhat by art form, but the key point is that your audience is not homogeneous, and your marketing plans shouldn’t be focusing only on the heaviest, most loyal users (subscribers, members, etc.) either.
Why are They Here?
The studies also found some variation in peoples’ motivations for arts participation, depending on the frequency of their arts usage. Motivations can range from true love of the arts, to seeking entertainment, to seeking relaxation and renewal, to seeking family fun. When looking for new audiences, it’s important to understand their motivations and how these motivations differ from your current audiences’, and most importantly, how they differ from your motivation to be working in the arts.

**ARTS USER MOTIVATIONS**

**MID-LEVEL ARTS USERS**
- relaxation, relief and renewal
- family fun, edu-tainment
- roots
- civility in the urban jungle
- factoids, or interesting tid bits of information about the art
- breaking through the limitations of everyday life
- community/personal connections

**LIGHT USERS**
- easy entertainment
- very literal, visually-oriented
- family fun, helping kids grow
- special occasion

**Summing Up.**
You’ve gleaned a lot of information and turned your organization inside out. You’ve brainstormed with people at all levels of your organization. You’ve taken a fresh look at your audience surveys and compared them to census data and studies about your art form. You’ve even attended several rival arts-related programs. Now what do you do with all this data? How do you make sense of it? How do you cut your situation analysis down to size so it can fit through the narrow part of the hourglass? Use Worksheet 2.4 to boil down your findings to the significant insights you may act on to achieve your new audience development goals. Then, begin thinking about strategies you can use to build on strengths and opportunities, and address weaknesses and threats that could affect you immediately or in the future.
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<td><strong>Key Findings</strong></td>
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<td>Environmental Analysis: Three Environmental Factors most affecting your growth:</td>
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<td>Competitive Analysis: Three Advantages versus Competition</td>
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<td>Three Disadvantages versus Competition</td>
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<td>SWOT Summary: Three Key Issues arising from SWOT Analysis</td>
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<td>Current Audience Composition</td>
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<td>Relevant Audience Trends</td>
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IV. Setting Objectives

People can find the process of setting marketing objectives to be a bit of a stumbling block in the planning process. Organizations often get caught up in a debate about whether it is best to think big or play it safe with small, easy-to-achieve objectives.

Big objectives—sometimes called “stretch goals”—are inherently appealing because they represent a larger vision that people can rally around. Setting out to be the “world leader” in your arena or “establishing yourself as a must-see tourist destination” are exciting propositions. They can also seem daunting and difficult to measure.

At the other end of the spectrum are more mundane and specific goals, such as “increasing attendance among young urban professionals at after-work gallery talks by x%.” The problem with focusing exclusively on these types of goals is they can be lacking in inspiration and hard to mobilize support behind.

What’s the answer? As is often the case, it’s a combination of the two. In your plan, you should set out an audience development vision for your organization that relates to the basic business problem or critical juncture facing your organization. For example:

- **Become first choice among audiences throughout the region for compelling, entertaining dramas depicting African-American life.**

Then support that objective with incremental goals related to your specific new audience solution:

- **Increase attendance at (type of performances) by x% by suburban-based audiences.**
- **Increase attendance at (type of performances) by x% by non-African-American audiences.**

Use Worksheet 2.5 to develop objectives for your new audience plan.
Worksheet 2.5
NEW AUDIENCE DEVELOPMENT OBJECTIVE

Our business problem or critical juncture is: 

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Our vision or growth goal is: 

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Our incremental new audience development objectives are:

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2. 
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3. 
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