



British Columbia  
Museums Association  
SINCE 1957

# Best Practices Module

## REVENUE GENERATION (Creating Profit Centres)

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*The BC Museums Association gratefully acknowledges the financial assistance granted by the Government of Canada, through the Department of Canadian Heritage under the "Canadian Arts and Heritage Sustainability Program (CAHSP) - Capacity Building Component for Heritage Organizations.*

## Introduction

**Revenue generation as an issue for museums throughout Canada has become a major focus over the last two decades. Consequently, museum boards of directors and senior management have been devoting an increasing amount of time and effort to the topic of ‘museum revenue generation.’**

Historically, museums have relied on government funding at all levels to finance the majority of their operations. However, government contributions (particularly from senior governments) have been trending down requiring museums to become more dependent on self-generated revenues.

**The purpose of this module is to provide managers of small to mid-sized museums in British Columbia with insights into some options to generate revenue.** This module provides information on techniques for generating both earned (revenue generated by the business operations of the museum) and unearned revenue (revenue provided by others).

## Museum Revenue Trends

**To preface the analysis of possible tools and sources available to create revenue, it is important to understand the environment in which museums are operating in Canada.**

Statistics Canada reports that there are approximately 2,500 heritage institutions, (including museums), across Canada. Most of these facilities are small, as approximately 62% have annual operating budgets of less than \$100,000, 32% have budgets of between \$100,000 and \$1 million, while only the remaining 6% have budgets over \$1 million.

On average, institutions receive approximately sixty percent of their operating revenue from one or more levels of government, and from donations. The remaining forty percent is earned from a variety of sources.

Earned revenue doubled in the decade from 1993-2002. Of the earned revenue reported by Statistics Canada in 2002, admissions rose by 67%, but accounted for just under 32% of total earned revenue, in contrast to its 39% share in 1993. Sales in gift shops, cafeterias and other earned revenue sources accounted for approximately 64% of earned revenue in 2002, up 57% a decade earlier. In absolute terms, gift shop sales rose by more than double.

# Types of Revenue

## Earned Revenue

**Earned revenue is revenue created by the business operations of the facility.**

Sources that contribute to museums' earned revenue include admissions, gift shops, food and beverage sales, memberships, facility rentals, and fees for research services. Essentially, any product or service that is offered by the museum and generates income is considered earned income.

## Unearned Revenue

**Unearned revenue is money that is not generated by the business operations of the facility, but is provided by others.** The main sources of unearned revenue are fundraising and grants.

Fundraising to increase unearned revenue includes both internal and external activities. Internal activities include such actions as special events, garage sales, and auctions. External activities include tactics such as soliciting sponsorships and developing partnerships, plus such activities as establishing foundations and/or 'friends of' societies.

Grants are the other type of unearned revenue. Grants are funds given to tax-exempt non-profit organizations or local governments by foundations, corporations, governments, businesses and individual donors.

## Generating Earned Revenue

**In order for a museum to remain financially viable, increasing earned revenues should be a fundamental part of the budget planning process.** With government funding decreasing, generating increased earned revenue will likely be the tactic chosen by museum boards of directors and their finance committees. The following list offers some ideas and suggestions for increasing earned revenues:

**Instituting or raising an admission fee** is a realistic option for increasing earned revenue. Prior to any implementation of an admission fee, it is key that market research takes place to set a price point fee structure. If a product or service has enough interest to visitors, having an admission fee should not deter customers. Ideally, a fee should be seen as ‘money well spent.’

**Offering memberships or increasing memberships** can provide a regular source of revenue. Offering memberships for patrons, will give a museum a stable source of income that is collected on an annual basis. If a membership program exists, increasing awareness about the museum’s membership benefits may bolster membership.

**A gift shop in a museum** can add to earned revenues if operated efficiently. Most successful museum shops provide an outlet for educational material relating to the museum theme, which can contribute to a visitor’s enjoyment of the facility. Successful gift shops also retail higher margin consumer items such as apparel and souvenir items that can be ‘logo-ed’ with the museum name.

**Develop a school program** in which the museum offers a discounted admission price for classes that attend the museum. Tailor the program to specific curriculum subject areas that are depicted by the museum theme or collection. When marketing the program, not only focus on schools within your community, but other schools within the district and in adjoining districts.

**Offer an altered admission plan** for a scheduled duration. For instance, if a museum currently charges a fee for admission, advertise that admission will be by donation only for a specified time period. The intent here is to create awareness and interest by generating a sense of value and to develop new audiences. The effect is intended to be an increase in attendance and a resulting increase in revenue.

**Secure travelling exhibits** as a means of attracting local visitors. As smaller museums tend to display static, unchanging exhibits and artifacts, it is difficult to get locals to attend a museum on a regular basis. If special exhibitions can be brought in, with local marketing museums may be able to increase their revenues gained from the resident market.

## Generating Earned Revenue, cont'd...

**Providing a source for visitors to obtain food or beverages** while visiting the museum may also contribute to revenue. Caution is advised, as running a restaurant is a difficult task, and providing this service through a concessionaire may be advisable. Another option is to use vending machines for snack foods and drinks.

**Providing research services for a fee** can provide additional revenue. If a museum has a product or collection that the public may have interest in learning more about, there may be an opportunity to charge a fee to conduct the research.

**Charging a fee for facility rentals** is another program option. Offering to host meetings, banquets, or parties for a fee may be logical if the facilities are adequate. Size and time commitments would have to be analyzed against expenses.

**Instituting after school daycare programs** may be an option to attract more visitors. Having an efficiently run after-school program that is unique and appealing to children can bolster earned revenues. With childcare hard to find for many parents, this option may be appealing. The Exploration Place in Prince George offers numerous child programs including after school daycare. Not only can these programs bolster revenues, but they can create goodwill and exposure in the community as well.

**Offer unique activities** that are associated with your museum's experience. In many cases, museums offer only static collections and exhibits. If there is an activity that your museum could offer that ties in with the theme, more visitors may be attracted. For instance, if your museum is located near a lake, you may be able to offer guided history boat tours of the area. This offering may also broaden the appeal of the museum in general.

**Invest in a good website** for promotion and exposure of the museum, but also for education and information. With the Internet being a major source of information, having a well designed and user-friendly website is crucial. Not only can the public find out about the museum, but they also may be able to use the site for research and educational purposes, thereby gaining the facility more exposure.

**Developing a social responsibility program** may be a good way to market the museum in the community. An example may be teaming up with a social agency dealing with youth at risk to offer them volunteer or paid positions at the museum. If the museum can improve or expand their image and visibility in the community, it may increase visitor numbers.

## Generating Earned Revenue, cont'd...

**Having a strategic plan** for your museum is important to guide future growth. Many small museums are run solely by volunteers, or perhaps, a director/manager with a volunteer staff. Although preserving the community's past is the mandate of the facility, a strategic plan illustrates to community leaders that a process exists to ensure the facility's continued relevance and position in the community's civic structure. A benefit of a strategic plan is that revenue goals and objectives would be set and there would be measures to see that they are attained.

**Investing in professional marketing advice** can also help in bolstering revenue. A professional may offer insights and suggestions that museum managers may not have considered.

**Increase the museum's profile in the community** through communication and promotion. Examples of this tactic include entering the museum in trade, cultural, or home show. Although this may not directly increase revenues, it is intended to increase awareness and attendance and thereby increase admissions revenue.

## Generating Unearned Revenue - Fundraising

**There are a number of different types of fundraising approaches that a museum can utilize to increase revenues.** For a more complete discussion of fundraising, the reader is referred to another module in this series entitled *Grantsmanship and Fundraising*. However, to complete the range museum revenue generating options in this document, the following list of key fundraising techniques is provided:

**Finding sponsors** to help increase revenue is an attractive fundraising technique. Individuals or corporations can be encouraged to donate to institutions that provide needed community services, and for which exposure within the community can be gained for the sponsor.

**Developing partnerships** with businesses or other attractions can provide a win-win situation. Creating partnerships is a strategy that can be successful if both parties involved receive a benefit. A well-planned partnership can lead to both parties seeing an increase in revenues, as well as generating greater consumer exposure.

**Hosting special events** that are not part of a museum's daily operations can be beneficial for short-term and long-term revenue generation. Hosting a special event, such as a dance, dinner, garage sale or auction not only brings in revenues at the special event, but can raise awareness of the museum and bolster long-term attendance.

**Foundations** could be contacted to provide funding. With over 1,500 foundations across Canada, there are many that have mandates that include museums. For example, BC Community Foundations provide support to both non-profit and cultural institutions.

A “**Friends-of**” **Society** may help to bolster a museum’s revenues. A Friends-of Society is a group of people concerned about maintaining a high level of public support for a museum. They raise funds, provide program supports for various activities, and spread awareness of the museum’s content. Having these members act as ambassador may lead to increased admissions and more donations and sponsorships.

**Instituting some gaming techniques** is another option to consider. Some examples include holding raffles, bingos, casino nights, and prize draws. The costs of running these would have to be compared to the revenues that may be generated, but they generally produce net profits. Gaming licences are required.

## Generating Unearned Revenue - Grants

**Grants are financial contributions that are made to associations by private or public institutions.** There are numerous associations throughout Canada and BC that provide grants to eligible museums. Once awarded, grants provide museums with a source of income, either by a one time financial contribution or ongoing funding.

**The following is a list of agencies that provide grants to eligible museums:**

The **BC Arts Council** is an organization that supports arts and culture in BC. The Council specifically supports museums through a number of programs. These programs include an operating assistance program, project assistance program, touring assistance program, arts awards for individuals, and a sustainability program. Within each of these programs there are various individual grants available. Although the Council has specific programs for museums, they have numerous 'Arts' programs that may also be applicable.

The **Direct Access Grant Program** is a BC government program that provides grants to eligible organizations with funds from government gaming revenues. Direct Access grants provide funding to eligible non-profit organizations for direct delivery to their communities of approved, ongoing programs. The Arts, Culture and Sport sectors are one of the designated topic areas that may apply for funding.

The **Museums Assistance Program (MAP)** is a Federal government program that provides financial assistance to Canadian museums and related institutions for activities that: facilitate Canadians' access to their heritage; foster professionalism in musicological activities and operations; and foster the preservation, protection, and management of representative collections of Aboriginal cultures.

The **Canadian Arts and Heritage Sustainability Program** is a federal government program that aims to strengthen organizational effectiveness and build capacity of arts and heritage organizations. It is comprised of four program components: Stabilization Projects, Capacity Building, Endowment Incentives, and Networking Initiatives.

The **BC Arts Renaissance Fund**, administered by the Vancouver Foundation, is an endowment and development fund established by a grant of \$25 million from the Province of British Columbia to support arts and culture organizations across the province. The BC Arts Renaissance Fund's endowment program will assist British Columbia's non-profit arts and culture organizations to build permanent endowment funds by providing matching grants. Income generated from the capital of the funds established by arts and culture organizations will provide annual revenues to ensure long-term financial stability and enable new opportunities for growth.

## Non-Traditional Revenue Sources

**Museums traditionally attempt to maximize both their earned and unearned revenue. However, there are non-financial or alternative ways to increase revenue (or lowering costs) as well.** The following are some ideas for stretching more value out of existing resources:

**Utilize volunteers as efficiently as possible.** Being creative with volunteer recruitment may lead to more volunteers who can promote the museum. For instance, volunteers could have free access to the museum for their families. The more people who volunteer for the museum, the more opportunity to get the word out to the public.

**Utilize high school students as part of their work-term experience.** Contact schools to encourage high school students to gain work experience through volunteering at the museum. Setting up a program of this kind could produce a predictable stream of volunteers and may decrease the need for paid staff.

**Change the museum's hours of operations.** Hours may need to be increased to allow for access by as many users as possible or shortened to run as efficiently as possible.

**Investigate savings through energy conservation.** By changing the hours of operation, a museum may be able to cut down on energy costs. Energy conservation may also be achieved through replacing older equipment with new energy efficient models, which will realize savings in the long-term.

**Expand the role and responsibility of existing staff.** Assess whether it is profitable to give staff more responsibility. In many cases, one staff member may be able to do the job of two.

## Conclusion

Museums are constantly engaging in ways to make more money by generating both earned and unearned revenue. With the trend of earned revenue increasing over the last decade, museums need to constantly ensure they are adapting or implementing ideas to bolster revenue.

Fundamental keys to generating earned revenue are increasing the number of persons visiting the facility (and generating increased admission fees), plus increasing the revenue per visitor (through gift shop and food sales). Periodically re-assessing admission fees to ensure a museum visit remains an appealing option for the public, is important.

In addition to bolstering its membership base, museum management needs to be creative and analyze other revenue generating techniques. As well as increasing attendance and per capita spending, it may be that implementing one or two small creative techniques could add significantly to the museum's earned revenues.

While focussing on improving earned revenues, management is advised that although funding has decreased in the past, there are still numerous ways to generate unearned revenue. Conducting fundraising and applying for grants will remain an essential process in museum operations.

## Resources

### Canada Heritage: Towards a New Museum Policy – Discussion Guide

See: [http://www.pch.gc.ca/progs/ph/pubs/mus-pol-mus/index\\_e.cfm](http://www.pch.gc.ca/progs/ph/pubs/mus-pol-mus/index_e.cfm)

### BC Arts Council

See: <http://www.bcartscouncil.ca>

### Province of BC - Ministry of Public Safety and Solicitor General

See: [http://www.pssg.gov.bc.ca/gaming/grants/direct\\_access.htm](http://www.pssg.gov.bc.ca/gaming/grants/direct_access.htm)

### Province of Ontario –Ministry of Culture

See: <http://www.culture.gov.on.ca/english/culdiv/heritage/mugrant1997.htm>

Association of Independent Museums - Retail Guidelines for Small Museums. AIM Focus Paper.

See: The Guidelines at: <http://www.aim-museums.co.uk/focus-papers.htm> and the Focus

Papers at: <http://www.aim-museums.co.uk/images/cms/focus-papers/Focus%20-%20Retail%20Guideline%20for%20Web.pdf>

### Canadian Heritage - Government of Canada

See: <http://www.pch.gc.ca/progs/pc-cp/pubs/e/Fr4gras5.htm>

### The Canada Council for the Arts – Heritage Institutions

See: <http://www.canadacouncil.ca/aboutus/advocacy/js127323848215937500.htm>.

### Province of Ontario - Ministry of Culture

See: <http://www.culture.gov.on.ca/english/culdiv/heritage/munote11.htm>

### Museums Association of Newfoundland and Labrador

See: [www.manl.nf.ca/pdf/IncreasingYourRevenues.pdf](http://www.manl.nf.ca/pdf/IncreasingYourRevenues.pdf)