

The Metropolitan Museum of Art

Case Study

Overview:

The Metropolitan Museum of Art, located on the east side of Central Park, New York, NY, is a privately funded nonprofit institution. The state of New York established the museum on April 13, 1870, by granting a charter to a group forming a corporation in the name of the Metropolitan Museum of Art (MET). The corporation was formed for the purpose of “establishing and maintaining in the city of New York a museum and library of art, of encouraging and developing the study of the fine arts, and the application of arts to manufacturing and practical life, of advancing the general knowledge of kindred subjects, and, to that end, of furnishing popular instruction and recreation.” The mission remains unchanged to date with one exception – the word **recreation** has been removed.

The city of New York owns the building housing the museum, but the collections are the property of the corporation that operates the MET. The city continues to appropriate funds to the museum to be used for maintaining the building as well as providing utilities at no charge to the Metropolitan. The allocation in 1991 totaled \$15,633,609, which is 9.3 percent of the total operating revenue for the year.

The Metropolitan Museum of Art must rely on external sources of revenue, including interest on endowments, gifts, governmental appropriations, and grants, as well as internal sources of

revenue from merchandising operations, auditorium rental, parking garage fees, restaurants, admissions, memberships, royalties, and fees to meet the enormous cost of providing programs and service, year-round, to millions of local, national, and international visitors.

Target Customers

The target customers of MET are people interested in arts, highly educated, urban with the age over 16 from New York City (NYC) and also from all over the world. 48% of the current visitors are from NYC, 39.6% of them are from different areas of the United States, and 12.4% of them are international visitors. 51.1% of the total people visited the MET because of special events.

Competitors

Competitors include the American Museum of National History, the Museum of Modern Art, the Whitney Museum, and the Museum of the City of New York. As indirect competitors, there are two National Basketball Association teams, three National Hockey League teams, two National Football League teams, two baseball teams, and two racetracks surrounding the New York Metropolitan Museum of Arts. Broadway, the most celebrated street in America, offers daily productions in 40 theaters, and there are numerous off-Broadway shows for tourists and residents in New York. Furthermore, each of five New York boroughs has many attractions to choose from including the Statue of Liberty, the Bronx Zoo, and the National Historic Landmark district on Staten Island and Central Park.

How to support the MET

The revenues of the MET are generated largely from memberships, admissions, donations and gifts. Some of the annual membership types are: student (\$30), national associate (\$35), individual (\$70), dual (\$125), sustaining (\$300), contributing (\$600), donor (\$900), sponsor (\$2000), patron (\$4000), and upper patron (\$6000). These prices are for the year 1990, and they're increased by 21% in 1991, in order to increase the revenues. MET also has corporation members (pay \$30,000 for a year) which is the 1.7% of the total members, who are contributing financially to the museum. Beside of the members and admissions that support 24% of the total revenues of the MET; 68% of the total revenues comes from the endowments, grants and gifts (charitable giving by the corporations). The rest of the income of the MET is grants from NYC Government, temporary exhibitions, lectures, 10 MET shops in different states, restaurant, café, bar and the parking garage. They also have benefit events where some galas are attended and they provide travel programs hosted by MET.

Donation from Corporate Sponsorships – The Met makes great effort to match the 30 annual special exhibits to corporations' activities to entice them to fund the exhibits. A corporate patron program is also available and requires an annual donation of \$30,000.

Endowed Chairs – An effective fund-raising technique borrowed from universities and hospitals has been soliciting funds for existing curatorships in the form of endowed chairs. This drive was the first attempt to raise the salaries of curators so that the Met could be competitive within the job

market by attracting the best people and retaining the people it had already had by increasing their existing salaries.

Grants from Government – The Met received funding from the local, state, and federal governments for the year ended June 30, 1991. The city of New York provides the building that houses the museum, the utilities, and appropriate funds for maintaining the building. The state of New York provides an annual allocation from the New York State Council on the Arts for general operating and program support.

Gifts – Charitable giving by corporations fell by 12 percent after the 1986 Tax Reform Act – which curtailed donations of works of art to the Metropolitan and other museum - became effective. In March 1991 the Metropolitan received the largest gift it had received in over 50 years, probably due to a temporary “tax window”, a one-year restoration of tax deductions for the full market value of art donated in 1991. Valued at 1 billion, paintings were donated by Walter H. Annenberg.

Memberships – The Met has various levels of membership and councils. The chair’s council members donate \$25,000 annually and are included in the governance of the museum. The Real Estate Council is responsible for raising money for special showings that are not fully financed. Each member is given 15 invitations to a special showing.

Museum Shops – Retail Shops are operated within the museum, at the Cloisters, and in 10 off-site locations. Four of these satellite shops are in New York: Rockefeller Center, New York Public Library, the American at Manhasset, and Macy’s. Two are in Connecticut: Stamford Town

Center and Westfarms Mall. Two are in California: Century City Shopping Center in Los Angeles and Southcoast Plaza in Costa Mesa. One is in Ohio at Columbus City Center, and one is in New Jersey at the mall at Shorthills. The museum's stores sell greeting cards, posters, calendars, postcards, sculptures, glass, and jewelry. The museum is required to pay income taxes only on retail items unrelated to its mission.

Restaurants - The museum operates a restaurant, cafeteria, and bar.

Problem and Decision

Till the change of directors of the MET, Thomas Hoving who managed MET between 1967-1990, was seen as a publicity seeking showman. He made some expansion projects and some excessive acquisitions. These actions concluded in a financial crisis and the solution came again from him: Blockbuster events. These temporary events held high rates of attendance and increased the revenues of the MET. For example, "Treasures of Tutankhamen" show in 1978-1979, in which 1.2 million tickets were sold. These activities supported all the museum activities in the last ten years. He also made the first public campaign of the MET which lasted for 5 years; and generated \$150 millions for the museum. But supporters of these events say that the attraction of new audiences will diminish the elitist image of museums, and another museum's director says that this undermines public confidence in the museums integrity. With the new director Philippe De Montebello, blockbuster events finished; total revenue from admissions decreased by 27%. And Metropolitan Museum of Arts, New York started to lose money again.

The New York Metropolitan Museum of Art (MET) ended the 1990-1991 fiscal year with an operating deficit of \$2 million. The deficit occurred in part because of decreases in auxiliary revenue, increases in operation expenditures, and decreases in admissions revenue. Even though the base museum attendance figures exceeded those of previous years, the absence of large-scale ticketed exhibitions, or “blockbusters,” curtailed admissions revenue in 1990.

S.W.O.T Analysis

Strengths.

- Historically reputable institution;
- It is one of the world famous museums;
- It’s number one in tourist attendance in New York;
- They have their own manufacturing facility to produce the items that they sell in 10 satellite MET shops.

Weaknesses .

- Unstable financial support from governments and organizations;
- MET is largely dependent (68%) on the donations, gifts, endowments etc. given by companies, government or individuals.

Opportunities.

- More than 500 million people visited American museums last year (1988). And there is an increasing tendency for people to visit the museums;
- The Museum Company that sells items from Louvre in Paris and from the British Museum and other art institutions can be used as an opportunity to earn royalties.

Threats. -Socio-economic factors;

-National recession

-Americans spend \$28 billion on sports event compared to \$3.7 billion on art events.(1988).

-Compared to British and French governments who spend \$9 and \$30 respectively on the arts, the US federal and state governments together spend only about \$2.

Criteria

Our main criterion to evaluate our strategic options is the profitability. From this point of view, we have to pay attention to the profit oriented criteria such as sales, revenues, and cost. The related special issues in this case are admissions, special and permanent exhibitions' ticket prices, memberships, donations, gifts, restaurant and parking garage revenues.

Alternatives & Recommendations

The attendance in the museum is low on weekdays. To reach large number of visitors on weekdays, a price differentiation can be made for the admission fee. For example, one day can be chosen as a "Special Day" and the admission fee can be set as \$3 for adults and \$1.5 for students on that day.

There is a competition between MET shops and the private retail shop called "Museum Company". That retailer sells merchandise from Louvre in Paris, the British Museum and other art institutions and pay royalties to the museums. As a team, we suggest that instead of being a

competitor with that company, the MET can built a partnership with it. And by allowing that company to sell MET's merchandise, MET can gain not only royalties but also it can expand its distribution channels. Because this company is very popular and it has 7 stores around U.S. and in its first-year revenues topped \$10 million. So, a partnership will be beneficial to both of these organizations.

Fine arts students can be employed on a part-time or volunteer basis in the MET. This process can be financially efficient for MET and also a big educational opportunity for these students' future.

The MET should more focus on the amount of the grants given by the NYC Government, by trying to convince them to contribute to arts with larger amounts of money. Because compared to the other countries (specially in Europe) the U.S. federal and state governments don't pay enough attention to arts and cultural affairs.

As seen in the case, the major problem is the deficit that MET has faced. To overcome this deficit and to increase the income, some marketing strategies should be applied. As a team we think that Thomas Hoving, the previous director of MET, was a real marketing man. Because he tried different ways to increase the revenues and the number of visitors. We think that the large-scale ticketed events and exhibitions should take place again. The critics about these blockbuster events shouldn't stop the MET management. First of all, it's more important for a museum to exist and survive than to be criticized for damaging the elitist image of the museums by offering large-scale

ticketed events. These events not only generate revenue but also draw the attention of different and new portions of the population. This new audience can be converted to a new, permanent, art conscious population; if they start to be used to go to museums via these large events. Populism can be criticized for hours, but when we talk about the money and profits, we need it.

MET Today

The Museum ended fiscal year 2004 with a deficit of \$4.8 million, following deficits of \$1.8 million and \$5.2 million for the two previous years.

The overall number of members grew by almost 1 percent to 117,805; from 2003 to 2004.

The greatest growth in membership was in the MetNet category, which experienced a 12 percent increase in 2003. MetNet is an online source for the MET, to generate income where people can just contribute to the museum with their credit cards instead of going to the museum or making a money transfer between bank accounts to make a donation.

The collection of fifty-three Impressionist and Post-Impressionist paintings, valued at \$1 billion, donated by Walter H. Annenberg in 1991, has become the property of the Metropolitan Museum of Arts as recently he passed away (October 2002).