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**STRATEGY IMPLEMENTATION EFFECTIVENESS  
IN A NONPROFIT ENVIRONMENT:  
THE CASE OF MUSEUM STORES**

by

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A Dissertation submitted to the Faculty of  
Old Dominion University in Partial Fulfillment of the  
Requirement for the Degree of

**DOCTOR OF PHILOSOPHY**

**BUSINESS**

**OLD DOMINION UNIVERSITY**  
August 2001

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Edward Markowski (Member)

## **ABSTRACT**

### **STRATEGY IMPLEMENTATION EFFECTIVENESS IN A NONPROFIT ENVIRONMENT: THE CASE OF MUSEUM STORES**

Sandra A. Mottner  
Old Dominion University, 2001  
Chairman: Dr. John B. Ford

The character of museums in America has changed significantly in this century as museums change how they market themselves to their constituents. One of these changes has been the growth and development of museum stores. First designed to supplement museum income museum stores are now a major source of museum funding (American Association of Museums 1999) and a source of educational enhancement of the museum's educational mission (Theobald 2000). However, despite the growth of the museum store, virtually no academic research has been undertaken.

This research seeks to help fill this void in the literature of not only museum store marketing, but nonprofit marketing as well. In particular, there are strong indications that museum stores should have multiple measures of performance (Slater, Olson and Reddy 1997) and that specific strategies are linked to the achievement of these measures. Two primary objectives of museums with respect to museum stores and the museum itself were identified: (1) Financial contribution to the museum (Lovelock and Weinberg 1990, Kotler and Andreason 1982), and (2) Education, an objective of almost all American museums (American Association of Museums 2000). Specific strategies that were clearly targeted to enhance financial or educational performance were identified by the literature. The objective of the research was to

determine what linkages existed between educational or financial strategies and educational and financial performance.

The results of the research, which was conducted through a survey of museums in the United States, showed that educational strategies had a positive direct effect on educational performance. Additionally, financial strategies had a positive direct effect on financial performance. Educational strategies had a positive direct effect on financial performance. While it was anticipated that financial strategies would have a negative or ambiguous effect on educational performance, it was found that they had a significant positive effect.

The major contributions of this research include a multiple measure for performance evaluation in a nonprofit setting and an understanding of how different strategies affect that performance. Additionally, it gives the first major academic analysis of museum retail marketing. Finally, a measure of Educational Performance has been developed and tested.

This dissertation is dedicated to my parents, James and Lorena Slover, who first guided my steps in the enjoyment and appreciation of learning and have enthusiastically and steadfastly encouraged and supported my academic efforts.

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Without the assistance of many people, this dissertation could not have been completed. In particular, the advise and support of my dissertation committee, Dr. John B. Ford (chair), Dr. Kiran Karnade and Dr. Edward Markowski has been critical in the development of the theory, and the operationalization of the model and the analysis of results. They need to be particularly thanked for their expertise, encouragement, support, availability, interest and willingness to work within tight time constraints.

I also want to note and thank the help and assistance of other members of the Old Dominion University community who generously gave of their time and discussed ideas, argued methodologies and models, and generally lent support and encouragement. Particularly, Shawn Thelen spent countless hours listening, discussing and challenging me throughout the dissertation process. Dr. Earl Honeycutt encouraged and supported my efforts as he has throughout the Ph.D. program.

Many members of the museum community have generously given of their time and expertise in the completion of this project. Particularly, I would like to thank Mary Theobald, Carol and Ivor Noel Hume and Elizabeth Grainer for the time and advice given. Additionally, staff members at museums across the United States as well as members of the Museum Stores Association have provided invaluable assistance in not only completing this research but enhancing the knowledge base regarding museum retailing in general.

Finally, a group of wonderfully generous friends have aided in providing not only moral support and encouragement, but in rolling up their sleeves, folding, stamping, sorting and preparing survey control documents. Among the many people who have helped with the entire dissertation process, a special thank you is due to Baxter and Ruth Carr.

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# **STRATEGY IMPLEMENTATION EFFECTIVENESS IN A NONPROFIT ENVIRONMENT: THE CASE OF MUSEUM STORES**

## **CHAPTER I INTRODUCTION**

What is a museum? Is it that cavernous, musty smelling, aging building you went to as a child where dinosaur bones loomed overhead? Is it the historical site with costumed interpreters that you visited on a field trip in 5<sup>th</sup> grade? Is it the botanical gardens where you wandered with your friends and family members on a Sunday afternoon? Our memories of museums take on a variety of forms, just as the places we visited took on a variety of forms. In many cases the form of the museum has changed greatly over the last few decades. Large “block-buster” shows come to art museums, huge animated dinosaur exhibits come to science centers, “touch tanks” are prevalent at marine life centers as are numerous interactive opportunities at historical sites. One of the things that has changed along with the museum is the museum store. No longer just the little rack of post cards near the guard desk, the museum store has taken on a life of its own in many cases. Sales in individual history museum stores reached up to \$5,400,000 in 1996, for example, with individual stores ranging up to 12,000 square feet in size (Museum Store Association, 1997).

This research seeks to examine the phenomenon of the museum store within the changing environment of the museum itself. In particular, this research seeks to understand how the retail store in a museum reflects the overall missions and objectives of the museum itself and then to find measurements that help to evaluate the museum store’s performance in the context of the nonprofit museum.

## **Statement of the Problem**

The role of a museum is to collect, preserve and educate (Ames, 1988). Museums “serve the public interest...(and) not only collect, preserve, and exhibit objects valuable to art, history, and science but also are educational institutions, research agencies, and cultural centers,” (American Association of Museums (b), 2000). In the United States museums are defined as nonprofit institutions by the Internal Revenue Service because of the fact that they serve an educational purpose (Kotler, 1987). Because the museum’s missions of collecting, preserving and educating result in activities that are considered to be for the public interest, or for social “good”, the marketing activities that are undertaken on behalf of museums fall within the construct of social marketing (Kotler and Zaltman, 1971; Kotler and Levy, 1969).

The need for social marketing that can improve financial support for museums has grown more acute in the United States since the 1970’s (Galambos, 1993; DiMaggio, 1986). Marketing efforts aimed at financially supporting museums have resulted in the increasing size and scope of museum store operations as well as membership drives, and more “market” oriented exhibits. Museum retailing activities, in particular, have grown to be quite large in many cases, encompassing multiple locations, nationally and internationally distributed catalogs, Internet retailing sites and licensing programs (Museum Stores Association, 2000; Lovelock and Weinberg, 1989). Of approximately 8000-9000 museums in the United States, approximately 1,900 are members of the Museum Stores Association (MSA, 2000) which seeks to help museums manage and market their stores more effectively. New museums generally have a retail store

designed into the overall museum marketing plan and physical design as a matter of course (Runyard, 1992).

Having a store in a museum was originally conceived as a means of generating much needed financial contributions to the museum (Lovelock and Weinberg, 1990). However, the need for funding has resulted in efforts that have been perceived by some in the museum community as endangering the mission of museums (Ames, 1988). Some have argued that in the art museum world this has led to a disparity between “high culture” and “popular culture” (Crane, 1992). “High culture” generally has had an elitist nature, with understanding, discussion, and appreciation dependent upon advanced educational levels (Brenkman, 1999). “Low culture” tends to be equated with popular culture and as such requires no special training or exposures in order for the viewer to understand and appreciate it (Brenkman, 1999). Ryan (1998) questions whether nonprofits, in general, “can adapt without compromising the qualities that distinguish them from for-profit organizations” (128). Some funding-related efforts, such as more market- oriented exhibits and marginally site-related merchandise in museum stores, are seen as being based in popular culture, entertainment, or in a corruption of the educational mission (Ames, 1988). Therefore, there is often a conflict between the mission of the museum and the marketing forces that are supporting the museum’s efforts by raising funds.

This conflict between the economic-financial pressures to raise contributions and the constraint to keep true to the mission in all activities is felt in a similar manner in for-profit firms. It has been shown that for-profit retail firms that engage in marketing actions with a social dimension have a minimum point below which the additional social

marketing will hinder economic-oriented activities (Handelman and Arnold, 1999). In the United States the situation is further confounded by the fact that the museum stores are constrained to keep their merchandise in their stores “related” to the museum in order to preserve the non-profit status of their retail ventures (Larkin, 1987). This “relatedness” constraint reflects the educational nature of the non-profit museum as a whole and should cause the products in a museum store to reflect the educational mission of the museum to some degree. Therefore, this research proposes that the retail marketing mix, especially as manifested by the product and its relatedness to the museum, is affected by two primary drivers, the intensity of the educational mission and the intensity of the drive for funding.

Because the retail marketing mix reflects the educational mission of the museum, the performance of the museum store may be affected. Additionally, the performance of the museum retail store will be evaluated differently than for-profit firms because of the non-financial overall mission of the museum. Museum performance in particular, and nonprofit performance in general is not easy to measure and cannot be totally measured in financial terms. As Larkin (1987) states, “Whatever the best measurement of a not-for-profit’s performance, the bottom line is not it” (p. 5). Additionally, Drucker (1992) says, “Nonprofit institutions tend not to give priority to performance and results, yet performance and results are far more important-and far more difficult to measure and control-in the nonprofit institution than in a business” (p. 107). Since the performance measurement of nonprofits is ambiguous, the performance measurement of museums must necessarily be ambiguous as well. Consequently, while the museum store’s mission has traditionally been concerned with raising funds for the museum, it operates within the

mission of the museum as a whole. Hence, unlike traditional retailing venues, the performance measurement of museum retailing cannot be purely financial. Effective means of capturing this mixed financial and qualitative performance in museum retailing is a problem that needs to be addressed. The development of a measurement for the performance of museum retailers that is not only financial but non-financial would help address the question of how the intensity of the financial and educational mission is reflected in the marketing strategy and how the resultant marketing strategies affect performance.

### **Significance of the Problem**

This problem is significant for three main reasons. First, the number and size of museum retailing operations is proliferating and museums are increasingly relying on them as a source of funding (Lovelock and Weinberg, 1989), and we do not fully understand how the mission of the museum as a whole affects the marketing efforts and the performance of the museum retailer. With funding from government sources becoming less or erratic, and with competitive pressures for donations, along with the “strings” attached to corporate funds, the need for a source of funding that is within the museum’s control makes the museum retail operation particularly attractive. Second, research in this area has implications for measurement of performance in for-profit firms as well as nonprofit organizations. The link between marketing strategies and both financial as well as qualitative measures of performance need to be more fully understood. Finally, the problem is significant for both academics and practitioners because of the need to gain a better understanding of how social marketing results in



strategic marketing choices and how those choices in turn affect the performance of the social marketing endeavor.

Museum retailing needs to be understood more fully in terms of the social marketing construct. To analyze museum retailing totally within the constructs of for-profit-retailing guidelines ignores the basic mission within which the museum retailer operates. In contrast, analyzing the museum retailer's activities and performance totally in terms of the museum's mission to educate, collect and preserve is misleading as well. Museum retailers are generally charged with some kind of financial mission, and hence will tend to be more market-oriented than some of the museum's stakeholders. By meshing the overall mission of the museum and the specifics of its retail marketing efforts, a more holistic understanding of how the museum and the museum retailer function in a conflicting environment between profit/contribution and educational drivers should result. According to Ames (1988), this conflicted environment is also exhibited between the mission-driven and the market-driven museums. He states that, "while each has elements of the other, mission is concerned primarily with education; market, given human nature, leans towards entertainment, stimulation, and making learning fun" (p. 152). In the conflicted environment, if one area is highly effective, the other area is usually negatively affected (Cameron and Whetten (b), 1983). Is this true for the museum retailer?

In a traditional for-profit retail environment there is a clear understanding of a financial mission that results in a marketing strategy and a retail marketing mix that is designed to meet the financial mission. Currently, retailing efforts are normally evaluated in terms of financial productivity measures and other financial outcomes (Levy and

Weitz, 2001; Sharma, Levy and Kumar, 2000; Donthu and Yoo, 1998). In museum retailing, because the missions are mixed, the subsequent strategy and performance are also mixed. It is important to understand how this works because it will aid in the understanding of the growing museum retailing phenomenon and our understanding of museums in general within a marketing context. Voss and Voss (2000) found that in the performing arts, for example, mission driven strategies rather than market driven strategies yielded stronger performances. Museum retailing performance may be similarly affected by marketing strategies that are closely aligned with the museum's mission.

It is also important to understand that firms and organizations in general also measure their organizational performance in more than just financial terms (Slater, Olson and Reddy, 1996; Dess and Robinson, 1984). Measuring performance in both quantitative and qualitative terms has implications for future strategies and subsequent performance (Kaplan and Norton, 2000, 1996 and 1992; Slater, Olson and Reddy, 1996).

Finally, social marketing is contextual. It exists within a certain cause-related environment. As such its strategic marketing choices and subsequent performance are affected to varying degrees by that context. The core competency of a museum is not the same as the core competency of a retailing organization. The implications of the context in which social marketing takes place, in this case the museum stores' marketing activities, are not fully understood.

## **Shortcomings of Current Research**

A stream of social and nonprofit marketing literature began with Kotler and Levy (1969) and continued as part of the discussion regarding the scope of marketing (Bagozzi, 1975). The preponderance of the ensuing debate focused on the definition of marketing itself (Ferrell and Zey-Ferrell, 1977; Bagozzi, 1977). While this debate was fairly wide ranging, it did conclude that marketing practices used to aid or support social causes was part of the exchange process known as marketing. Since most social causes are nonprofit by definition, the terms social marketing and nonprofit marketing have been used almost interchangeably since that time. Interestingly, it has been noted that the perception of a difference between nonprofits and profits recently seems to be blurring (Ryan, 1999). It is highly likely that the museum store and the more market-oriented museums are a part of this perception of “blurring”. This phenomenon bears watching and investigation.

Strategic marketing for nonprofit organizations was examined and discussed in depth by Kotler and Andreason (1982). Nonprofit marketing strategy was further explored in terms of ideologically-driven organizations (Hirschman 1983) as opposed to market-driven organizations. The concept of the ideologically-driven organization argues that one cannot necessarily look at the objective or mission of the organization from the same perspective in the case of ideologists and artists as one would for market-driven and for-profit firms. Museums, to some degree, are ideologically-driven, yet they can be influenced by competitive pressures and turbulence (Ritchie and Weinberg, 2000). While the social marketing literature has dealt with strategic issues to some extent, it has less cogently addressed how to evaluate performance in terms of achievement of its missions and strategies. Kotler and Andreason (1982) have, however, made the attempt to initiate

discussion of both qualitative and quantitative performance evaluators (Gallagher and Weinberg, 1991). What is clear is that empirical testing is lacking in this area.

While the social marketing literature has some gaps, the research regarding museums as a form of social marketing is much less prolific and therefore has many more gaps. The overall marketing of museums (McLean 1994, Kavenagh, 1991) and the marketing of the arts in general (Dimaggion, 1986; Mokwa, Dawson and Prieve, 1980) have been discussed in the literature as has the application of marketing management to nonprofits in general and museums in particular (Kotler and Andreason, 1982). However, the predominant focus of the discussions has had to do with art museums (Mokwa, Dawson and Prieve, 1980). Measurement of strategic initiatives in numerical terms has been offered by Ames (1988). However, the focus of much of the marketing initiative literature is aimed at increasing or managing membership (Yorke and Jones, 1984), increasing admissions (Lovelock and Weinberg, 1989), fund raising in terms of donations, market orientation as a means to the end (Ames, 1988), and museums as a service (McLean, 1994). With the exception of McLean (1994), the literature generally does not address the link between the museum mission and its specific strategies nor does it examine the drivers behind the strategy and the specifics of the strategies. Voss and Voss (2000) measured the strategic orientation of nonprofit theatres against financial data and attendance measures which were both objective and subjective. A study by the American Association of Museums (1984) attempted to measure the performance of an educational strategy in one museum. However, a clear linkage between specific strategies and subsequent performance in the case of museums is missing in the literature.

The museum store operations and their strategies are part of museums' strategic marketing plan. Stores are considered a secondary business in museums designed to supplement a more basic social mission (Kotler and Andreason, 1982). However, no empirical literature has been found that examines this phenomenon. Museum retailing has been discussed in the literature as a means of providing funds to the museum (Lovelock and Weinberg, 1989; Kotler and Andreason, 1982). The museum retailing operations are capable of helping to fulfill the social mission of the museum as well (Lovelock and Weinberg, 1989). However, no linkage of the museum strategy to the museum retail strategy, particularly in terms of a marketing mix, has been discussed or studied. While a service marketing mix has been developed (Bitner, 1990) which includes seven variables (or 7 P's), some of the retailing literature continues to rely on the four P's (Levy and Weitz, 2001; Borden, 1964). No matter how it is described, there is no empirical research into how the marketing mix manifests the museum's mission, nor is there any research into the links between the marketing mix and performance for museum stores. Additionally, just as the social marketing literature is lacking in empirical testing of performance measures, the museum and museum store literature is also lacking empirical research in the measurement of performance.

In contrast to museum and museum store literature, retailing literature has a fairly robust record of linking the marketing mix to performance, particularly to financial performance. For example, Bitner (1990) linked the physical surroundings to performance and Hernandez and Beenison (2000) linked location to financial performance. Additionally, studies have tested overall strategy against performance using financial measures such as ROI (Matusno and Mentzer 2000). Retail performance

measures generally include an analysis of sales, net profit, net profit percent to sales, sales per square foot, sales per full time equivalent, GMROI, ROI and ROA (Levy and Weitz, 2001). Additionally GMROS and GMROL are used for evaluation (Ring and Tigert, 1995) as are a number of financial productivity measures applied at all levels of the store (Pearce, 1998). These objective financial measures are not adequate for stores associated with museums because for-profit retailers have a more narrowly focused financial mission, whereas the museum store, in contrast, has not only a financial mission, but may also be attempting to fulfill the museum's educational mission as well. The achievement of an educational mission, which is reflected in specific educational strategies within the museum store, cannot be measured completely in financial terms. It is possible based on the findings of Voss and Voss (2000) that a marketing strategy that is clearly supporting the non-profit's educational mission results in positive financial performance. However, non-financial performance must be measured in subjective terms. Even though Voss and Voss (2000) used subjective and objective measures in their attempt to measure the performance of the driving strategy of non-profit firms, their subjective measures involved perceptions of financial performance. Therefore, the measurement of strategic performance in the nonprofit sector, and in museums and museum stores in particular is missing in the research literature.

In general, the use of mixed performance measures in the literature has been discussed but not empirically tested. Kaplan and Norton (1996) have introduced the "balanced scorecard" system which emphasizes the linkage between the vision and strategy of the firm and various outcomes and processes having to do with process, learning and growth, customer objectives and financial measures. This contingency-type

approach was suggested as being more robust for evaluating organizational effectiveness by Steers (1975). A more contextual measurement of the marketing consequences of marketing strategies has been offered theoretically by Jaworski (1988). The two-dimensional classification scheme for measuring business performance using ten different approaches by Venkatraman and Ramanujam (1986) differentiates between financial and broader operational criteria. They argue that the domain of organizational effectiveness includes financial performance, operational performance and includes more conceptual elements of strategic management and organization theory. Slater, Olson and Reddy (1996) offered a framework that matched different market strategies with corresponding control systems that used key performance indicators that were customized to measure each different strategy. Since the nonprofit organization has decidedly non-financial organizational goals, the effectiveness of their marketing strategies should be measured in more than financial terms.

In the case of the museum store, the operational performance and the financial performance need to be measured and evaluated in terms of the organizational goals as a whole. This is another unexplored gap in the literature and has important implications for the nonprofit field as well as the museum store in particular. Particularly, the case of the museum store offers the opportunity to examine the performance of an organization when two of the drivers of the strategy, the educational mission and the financial need are often perceived as being conflictive with one another and cannot both be measured in financial terms.

## **Objectives of this Study**

This research has three primary objectives. First, this research attempts to fill the voids in the research regarding by providing a means of differentiating the museum retailing strategy, as manifested by the museum retailing marketing mix, between the museum objectives of education and the museum's financial objectives. Secondly, an objective of this study is to examine the museum retail stores' performance in the context of the museum. Performance measures that are both financial and educational are identified in order to measure the museum retailer's performance. While first glance might cause one to conclude that museums with strong educational objectives relative to their financial objectives would produce strong educational results, the converse is true for the more financially-driven non-profits (Voss and Voss, 2000). In fact, it has been demonstrated in the performing arts that mission-driven strategies can produce stronger financial results than market-driven strategies (Voss and Voss, 2000). In the case of museum stores, the competitive advantage of differentiation can be gained by following an educationally-oriented retail marketing strategy. Therefore, it is expected that while a properly implemented market-driven (financial) strategy will result in strong financial performance, a properly implemented combination strategy of educational (mission) and financial (market) strategies will equal or exceed the purely financial strategy.

Thirdly, this study will seek to provide implications for social marketing as a whole, both in terms of how strategy is executed within a socially-focused organizational context and how the performance of social marketing methods in general can be most meaningfully evaluated.



## **Plans to Accomplish the Objectives**

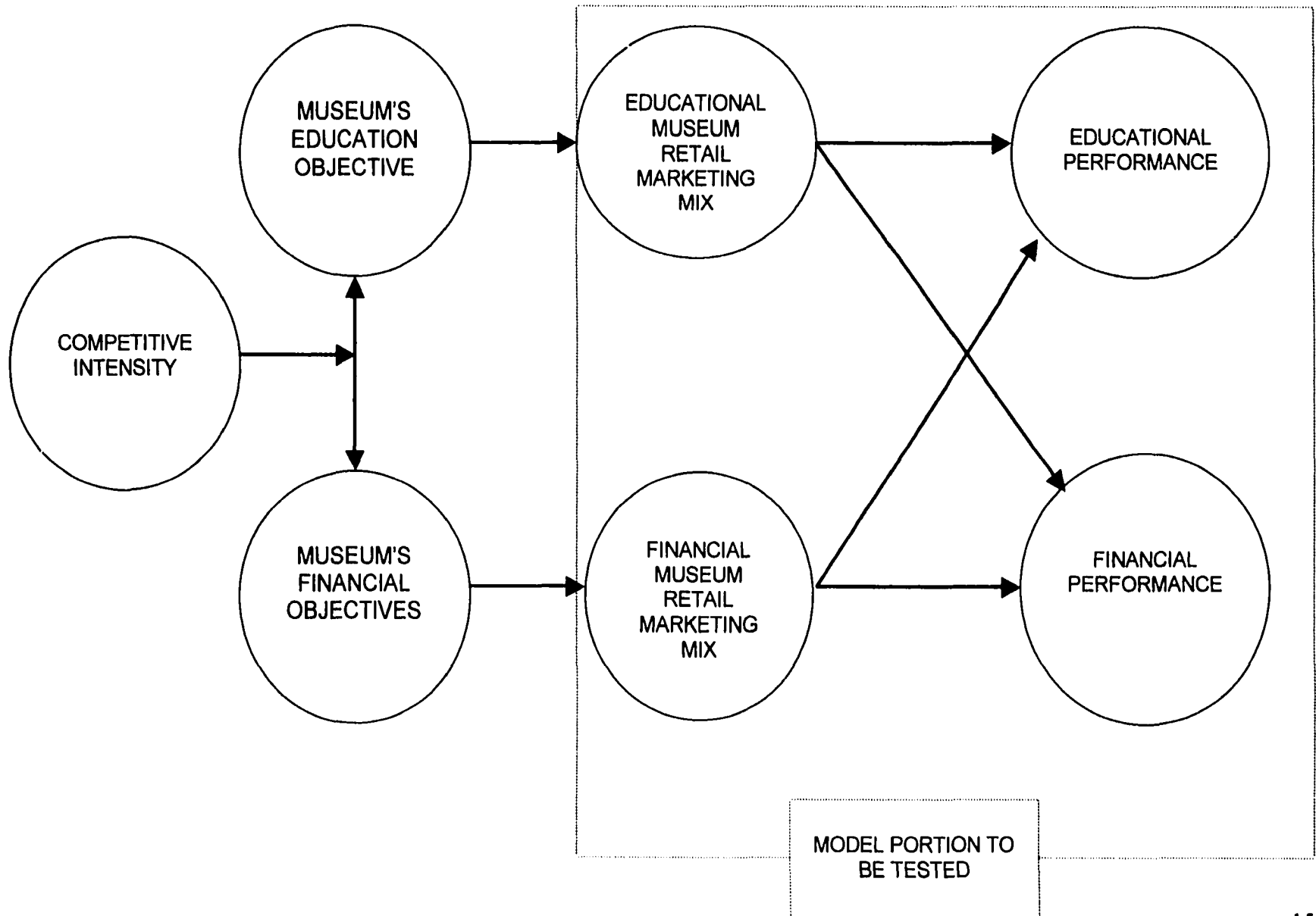
Based on the existing literature, and the need to more fully understand many of the related concepts, a model of museum retailing in the context of the museum as a whole is offered (Figure 1). While the entire model is discussed in the literature review (Chapter Two), the portion of the model specifically addressing the museum's retail marketing mix as a manifestation of the museum's dual objectives on the museum retail performance as measured in terms of those objectives will be empirically analyzed. That analysis will assist in understanding and explaining the objectives stated above. The model (Figure 1) links museum educational objectives and museum financial objectives as co-drivers of the museum store marketing strategy. The relationship between the strength of the educational and the financial strategies is moderated by the competitive environment. The resulting museum store strategy is manifested by the retail marketing mix which results in the museum store performance as measured by the organizational goals measured in both financial and educational terms.

In order to analyze this model a thorough review of existing literature will be presented organized around the following constructs:

1. Museum retail marketing strategy:

This research focuses on two key museum objectives (suggested by the literature) that of furthering the educational mission of the museum itself and the desire to raise funds to support the museum and how they are manifested by the retail marketing mix. The dual objectives, educational

**FIGURE 1: OVERALL MODEL OF STRATEGY IMPLEMENTATION EFFECTIVENESS IN A NONPROFIT ENVIRONMENT: THE CASE OF MUSEUM STORES**



and financial, are reviewed in terms of museums and within the concept of social marketing in general. The retail marketing strategy, as it is manifested by the retail marketing mix which is based on the services marketing literature (based on the 7 P's introduced by Bitner (1990) of product, place, price, promotion, physical evidence, participants, and process) will be used. Variables will be identified which indicate the manifestation of the two identified museum strategy variables.

## 2. Performance measurement:

Financial and non-financial performance measurements will be developed to measure the effect of the retail marketing strategy. Existing performance measurement tools for retail marketing, education, and for non-profits will be examined.

The purpose of the analysis is not to explain every detail of how museum retailing works. Rather, the purpose of this research is to explore the nature of the relationship between the objectives of a museum as reflected in the museum retail strategy, how that strategy affects the museum retailer's performance, and finally to further the understanding of social marketing.

The overall subjective and non-subjective factors that a museum would use to measure its overall performance will be identified, as will the factors that are normally used to evaluate performance in retailing. A means of measuring educational performance that is appropriate for this model will be developed.

## **Preview**

This dissertation is organized into four major sections starting with a literature review of existing research and theory which follow in Chapter Two. The literature review examines the study of performance measures for mainstream retail firms or profit-driven firms as well as nonprofit-driven organizations. In the process, the literature regarding nonprofit marketing or social marketing in general is reviewed as it pertains to this study. Certain terms such as “museum” and “museum retailing” are defined. Various drivers on the part of museums that may affect process strategies or evaluation of performance are discussed in an effort to gain an understanding of the nature of the problem. The marketing strategies and processes of retail firms are examined and identified. The manifestations of the drivers on the strategy are identified.

Following the literature review, hypotheses are offered and the research methods used to test them are detailed in Chapter Three. The methodology discussion is followed by a discussion of the results of the research in Chapter Four. The dissertation concludes with a discussion of the conclusion, limitations, and managerial and policy implications of the findings and suggestions for future research in Chapter Five. The conclusions and implications are followed by a bibliography.

# STRATEGY IMPLEMENTATION EFFECTIVENESS IN A NONPROFIT ENVIRONMENT: THE CASE OF MUSEUM STORES

## CHAPTER II REVIEW OF THE LITERATURE

### Museum Strategy

Exploring the answers to the question, “what is a museum?” is a fruitful method for discovering the mission and consequently the strategy of museums. A variety of definitions exist to explain what a museum is, however Yorke and Jones (1984) have very inclusively summed it up as:

*“The term ‘museum’ means different things to different people and there is no internationally agreed definition, although the International Council on Museums (ICOM) has attempted to define a museum as ‘a permanent establishment administered in the public interest with a view to conserve, study, exploit...(and) exhibit for the pleasure and education of the public, objects of cultural value’. This may be compared to the definition used by the Museum Association in the United Kingdom, ‘an institution where objects relating to the arts, sciences and human history are collected, adequately recorded, displayed, stored and conserved and are made available for research and for the instruction and interest of the public’” (p. 90).*

The American Association of Museums (2000 (b)) states that museums are institutions that educate, facilitate research and serve as cultural centers. As Wilson (1988) states, “essentially, museums exist to collect and to care for collections of objects, to display these collections, and to research, interpret and educate about these collections” (p. 97). “Museums are essentially object-based: their very existence depends on the possession of a collection,” (McLean 1994, p. 191). According to McLean (1994) the collection must be substantial, documented and interpreted in order for the institution to be considered a museum. Alexander (1996) explains:

*"Thus we may think of the museum as collection, the museum as conservation, the museum as interpretation, the museum as cultural center, and the museum as social instrument,"* (p. 14-15).

Museums often refer to their educational activities as interpretation, which is teaching through the use of original objects or in the case of the museum, the collection (Alexander 1996). The interpretive educational role is generally an informal one (Alexander 1996) and therefore is not always overtly recognizable because it lacks the formal trappings of the classroom, or traditional teachers. While education has been considered one of the key traditional roles of the museum (Crane 1992), museums have recently become more entertainment-oriented (McLean 1994, Burgers 1992). Museums are taking on a changing dimension, role or function in society (McLean 1994, Crane 1992, Kaplan 1990). In some cases, museums have taken on a combined education and entertainment role in the face of increased competitive pressures (Burgers 1992). However, the entertainment-orientation can be a means of enhancing the educational process. As such, the enhancement of education separates museums from theme parks, even pseudo-culturally based theme parks (Wilson 1988).

In fact, there is a great deal of diversity amongst museums, which is generally reflected in the diverse collections of objects that have been acquired by, or are housed in, each museum. According to McLean (1994), the major types of museums are art galleries, natural history museums, railway and military museums. The American Association of Museums (2000) includes museums of art, history, science, military and maritime, youth museums, aquariums, zoos, botanical gardens, arboretums, historical sites, and science and technology. Alexander (1996) separates museums into five categories: (1) The art museum, (2) the natural history museum, (3) the museum of

science and technology, (4) the history museum, and (5) botanical gardens and zoos. The Museum Stores Association (2000) breaks museums into three major categories: Art, History and Natural. In each classification scheme, however, the content of the collection is the defining characteristic.

Like all marketing, the marketing strategy of the museum is context dependent (Sheth and Sisodia 1999). In the case of the museums the context is largely defined by the museum's collection. Consequently, the museum is generally focused on nonprofit objectives and most museums operate within an environment of scarce resources (Lovelock and Weinberg 1989, Kotler and Andreason 1982). Because of the need to obtain more funding with which to support their nonprofit missions, most museums in the United States have turned towards various forms of nonprofit or social marketing strategies (Kotler and Zaltman 1971) to raise the desired and necessary funding (Kotler and Andreasen 1996, Lovelock and Weinberg 1989, Kotler and Andreasen 1982).

As noted in Chapter One, the discussion regarding social marketing began as part of the debate concerning the scope of marketing (Bagozzi 1975) which included a discussion of whether or not all types of exchange constituted marketing (Luck 1974, Ferrell and Zey-Ferrell 1977; Bagozzi 1977). While this debate was fairly wide ranging, it did conclude that marketing practices used to aid or support social causes were part of the exchange process known as marketing. Since most social causes are nonprofit by definition, the terms social marketing and nonprofit marketing have been used almost interchangeably although it could be said that social marketing is the promotion (in the non-strategic marketing sense) of nonprofit agencies (Fine 1980). Fox and Kotler (1980) defined social marketing as:

*"...the design, implementation, and control of programs designed to influence the acceptability of social ideas and involving considerations of product planning, pricing, communications, and marketing research. Social marketing has its roots in social advertising, and has evolved into social communication/promotion. By adding marketing research, product development, use of incentives, and facilitation, the move is made from communication to marketing." (p. 24)*

A slightly broader definition of social marketing, in terms of the objective was offered by Bloom and Novelli (1981):

*"Social marketing is the design, use, and control of projects trying to gain acceptance of a social idea or practice among a target group." (p. 79)*

The nonprofit sector contains a number of different types of organizations.

Examples include representatives of the health care industry, educational services, public services and social causes or issues (Jones and Cooper 1981). Museums are trying to serve the public by fulfilling three main needs: (1) The need to conserve by safely storing a collection and recording information about the collection and in some cases adding to the collection, (2) The need to educate, instruct, research, interpret or provide an instructional setting or to raise awareness regarding their collection, and (3) The need to investigate and facilitate research about the collection and related collections (American Association of Museums 2000 (b), Alexander 1996, Wilson 1988, Ames 1988, Yorke and Jones 1984). In the United States, a museum's nonprofit status is solely tied to its educational function (Ames 1988). It should be noted that there is a small group of museums that are technically "for-profit" in the United States, but operate within the public service or social objectives stated above. They are not included in the American Association of Museums and are not included in this study.

In the for-profit world of business the objective function for making the optimal marketing mix decisions is usually based on profit (Weinberg 1990). However, in the



nonprofit sector the objective function for making marketing mix decisions is, “maximization of the amount of its products or services which are consumed or utilized,” (Weinberg 1990, p. 178). The objective of marketing a museum in the United States, given this definition is, therefore, to either maximize the amount, quality or opportunities for education that occur in a given museum. Other objectives would normally include conservation and collection as well, but given the non-profit tax constraints, the educational objective will be the most consistent objective function for museum marketing in the United States.

The social marketing efforts of museums have manifested themselves in various ways. Among the various marketing programs there are (for example): (1) General fund raising (Kotler and Andreasen 1996; Lovelock and Weinberg 1989; Kotler and Andreasen 1982), (2) Ticket and admission marketing (Ames 1991), (3) Retail stores, merchandise, licensing, direct mail and internet retailing programs (Lovelock and Weinberg 1989, Museum Stores Association 2000) and (4) Restaurants (Ames 1988). These activities are not only part of museum marketing activities, but also are manifestations of the social marketing construct first proposed by Kotler and Levy (1969). The various marketing programs undertaken by museums exemplify different social marketing strategies. Marketing that is directly aimed at general fund raising supports all three of the major museum objectives (conservation, education and research) (Dawson 1980). Some marketing programs, such as the promotion of tickets and admissions to view the collection, seem to be more closely associated with the concern for educating people or heightening the awareness of people to the collection. The retailing and merchandising strategies were initially used to raise funds for the museum

(Lovelock and Weinberg 1989). However, it has been noted that they also have been used to support the educational objectives of the museums as well through educational related assortments of products or interpretive selling (Museum Stores Association 2000, Theobald 2000). Therefore, while it is unlikely or impossible for the museum store to directly support the objectives of collection, conservation or research except through fund raising, the museum store can directly participate in the educational objectives by means of its retailing strategy.

This dual role possibility may be part of the recent discussion that a blurring has been perceived between nonprofits and profit-making organizations (Ryan 1999). Part of the perception of blurring is due to the rise of “cause-related marketing” (Scheff and Kotler 1996, Arnott 1994, Varadarajan and Menon 1988) wherein for-profit firms ally themselves with various social or nonprofit causes. In these cases a distinction can be made between marketing actions with a “social dimension” and marketing actions with an “economic orientation” (Handleman and Arnold 1999). However, it is likely that the distinction lies more in the eye of the researcher than in the perception of the consumer. The blurring of the distinction between nonprofits and for-profits is compounded by for-profit firms entering the social services (Ryan 1999), or as in the cases of museums, the emergence of the for-profit museum.

However, it is also highly likely that the museum store and the more market-oriented museums are a part of this perception of “blurring”. According to Barach (1984) the first task of the social change program is education, whereas the primary objective of the for-profit marketer is to “make a sale” (p. 65). In other words, the objectives of nonprofit (social) marketers and for-profit marketers are totally different. In the case of

the museum store we see a juxtaposition of an enterprise whose objective is to raise funds for a nonprofit or social institution (the museum) using a method whose focus and normal for-profit objective is to “make the sale.” In the process of “making the sale” the museum store comes into contact with museum visitors and potential visitors and therefore also has the opportunity to further the educational objectives of the museum through its selection of products, information it puts on or in its packaging, and personal interaction with the customer. This conflict replicates the underlying tension found in many nonprofit organizations between the need for financial stability and the more altruistic ambitions of the nonprofit (Jones 2000).

How do these two differing objectives, financial (or economic) and educational, affect the museums’ retailing strategy? Are they conflictive or do they mutually enhance each other? In the museum itself, they are inextricably connected (Solinger 1992) while the line between the museum and the non-museum becomes less distinct (Anderson 1992) in the retail store. In order to understand how the two objectives reveal themselves in the retail marketing strategy of the museum, the two objectives need to be clearly understood. For the purposes of this research, the two objectives are called: (1) The educational orientation and (2) The financial orientation of the museum. The word “orientation” is used in order to capture the overall intent of the museum, or strength of the intent of the museum towards both objectives. This is due to the fact that in each individual museum the educational or financial objective will manifest itself in a wide variety of ways.

The educational objective of museums is often stated as part of its charter, the mission statement or as part of a list of overall objectives (Ames 1988, American

Association of Museums 1984). It may be the major effort of a museum or a minor consideration (Zolberg 1986). As a result, the degree of importance of the educational objective will vary from one museum to another. The resulting degree of educational orientation is manifested by learning opportunities that take the form of interpretive staff with varying degrees of training (Zolberg 1986), interactive “hands-on” learning situations (American Association of Museums 1984), well-labeled exhibits that not only identify but explain (American Association of Museums 1984), classes and/or lectures. Teaching traditions found at some of the world’s art museums are another example of an educational orientation (Kaplan 1990). Popularization of the museum’s collection or promotion is seen by some as a means for increasing the educational objective of the organization (Kaplan 1990). It may also be manifested by the museum store in products that are related to the collection of the museum, well-trained sales staff, or informative packaging (Theobald 2000).

The financial objective of museums is generally to support the social objectives of the institution. Like the educational objective, the financial strategy is reflected in the financial goals and objectives of the museum. Unlike the educational objectives, financial objectives should not appear in the mission statement of a museum as defined in this research. Financial objectives (whether by aspiration or by need) are manifested in museum marketing strategies (Lovelock and Weinberg 1989).

However, financial orientation is not necessarily related to urgent financial need. In fact, some well-endowed museums have strong financially driven marketing campaigns due to a desire to finance acquisitions for the museum’s collection (Runyard 1992), or to make a major educational push as in the case of the Maritime Museum in

Holland (Burgers 1992), or to conserve a large and aging collection as with The Colonial Williamsburg Foundation (Anonymous 1999). Therefore, there is a relationship between the educational orientation and financial orientation (Ames 1988). Generally, the financial orientation will be driven by the educational mission because by definition the museum is not a financial institution, it is driven by an educational and possibly other social drivers. Financial objectives are generally seen as means to support the educational or other social missions. However, this relationship can be moderated by the degree of internal competitive intensity, or the tension between financial orientation and nonprofit objectives (Jones 2000).

Competitive orientation in nonprofit performance institutions has been empirically shown to have a direct affect on nonprofit performance and to have a moderating affect on inter-functional coordination (Voss and Voss 2000). Additionally, Feigenbaum (1987) found that market concentration as a measure of competitive intensity had a direct and significant effect on nonprofit performance and both internal expenditure activities and external fundraising activities and results. Greenberg (1990) identified two areas of competition for nonprofit organizations: (1) Internal to the organization and (2) External to the organization. Internal areas of competition, according to Greenberg (1990) include competition for, "funding or other economic factors, physical resources, personnel, expertise and experience, and influence and prestige" (p.54). External areas of competition include users such as clients and customers and competing organizations (Greenberg 1990). Ritchie and Weinberg (2000) distinguish between, "three broad forms of non-profit competition: (1) *combative*, where rivals have incompatible value systems and behavior is hostile; (2) *collegial*, where

rivals' objectives differ modestly and collaboration is widespread; and, (3) *alternative*, where rivals pursue different approaches to the same problem and behavior is neither antagonistic nor cooperative," (p. i.). The "collegial" form is also called "complementary" (Ostrom and Davis 1993). While Greenberg (1990) groups the competition into external and internal areas, Ritchie and Weinberg (2000) group the competition into four categories of sources: (1) social forces, (2) product forces, (3) audience forces and (4) internal forces.

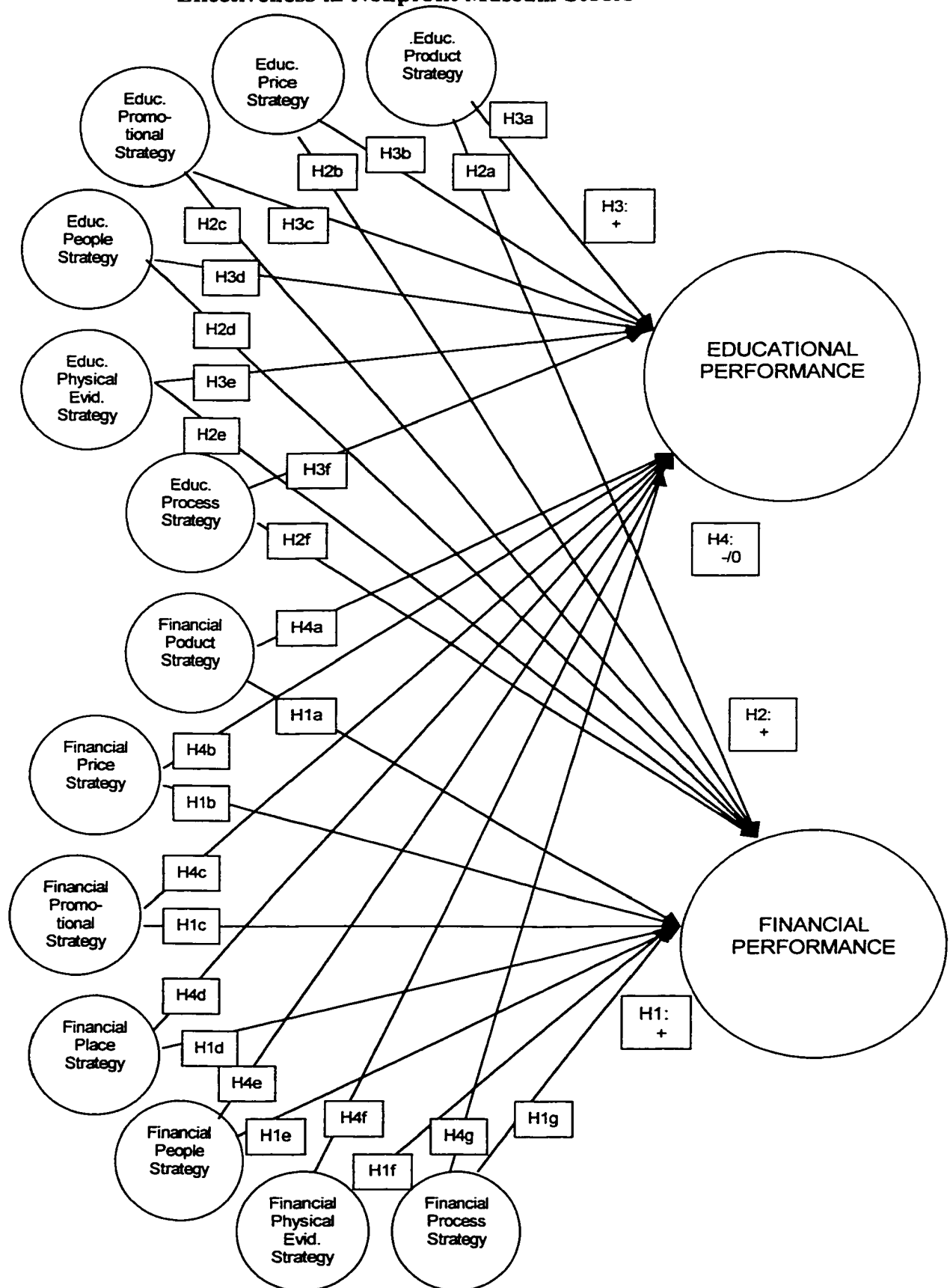
In the case of the museum store, the competition is likely to be both internal and external and indeed may have all four of Ritchie and Weinberg's (2000) characteristics. Internal competition could occur between the stakeholders with a strong educational orientation and those with a financial orientation with regard to the use of scarce resources (Greenberg 1990) for either the pursuit of educational programs or the funding of additional inventory or store fixture investments. Museum donors may have values or assumptions about museum store customer needs and tastes that may affect the orientation of the marketing strategy (Weinberg 1990). There could also be competition over the use of museum space for educational purposes or for a financially-related museum store presence. Indications of underlying tensions related to competing values in cultural nonprofits were found by Voss, Cable and Voss (2000). Finally, some museum professionals may think that the museum store provides a means for making education more accessible to the public because it is in a venue with which the public feels comfortable. This view would challenge the educational view that the collection itself is the only acceptable educational venue. The internal competitive dilemma has only been studied in the performing arts area (Voss and Voss 2000, Jones 2000).

Museum stores also have competitive pressures from both other museum stores and from other shopping opportunities. Additionally, funding for the museum in general is in competition with other nonprofits for donated and/or government dollars and therefore additional pressure is exerted on the museum store to be more financially productive. Therefore, it is likely that competitive pressure from external sources affects internal competition and the balance between the financial orientation and the educational orientation. While it is likely that both internal and external competition are moderating forces on the financial and educational orientation of museums, it is outside of the scope of this research. However, an understanding of the issue, as provided in the forgoing discussion, provides a background against which this research into the relationship between the educational and financial marketing strategies and their resultant effects on performance takes place.

### **Museum Retail Marketing Strategy**

How does the relative strength of the educational orientation and the financial orientation affect the implementation of the marketing strategy? In order to understand this, the museum retail marketing strategy must be examined. In order to more fully understand museum retail marketing strategy, a review of the retail marketing literature in general and then a combination of that literature and the museum marketing literature, is necessary. The combination of retail marketing strategies and museum marketing strategies will then provide a basis for understanding the literature. Based on the combination of the two marketing strategy research streams, plus what is known about museum retailing, a model (Figure 2) is offered with respect to how the museum

**FIGURE 2: Conceptual Model Of Hypotheses in Strategy Implementation Effectiveness in Nonprofit Museum Stoers**





marketing orientations of finance and education will manifest themselves in the museum retailing setting. Indicators of these marketing strategies are identified in this discussion.

Both retail firms and museums are generally thought to be services (McLean 1994, Wilson 1988, Berry 1986, Lovelock 1983, Shostack 1971), as opposed to products and therefore are best analyzed and understood under the frameworks that exist in the service literature. Although retailing usually (but not always) encompasses the selling of products or goods, all of its value-added activities are services. Retailers use service to sell products or goods (Berry 1986). The service and product or good is always directed to the end consumer (Levy and Weitz 2001). Several models have been developed for evaluating whether an organization is involved in a service or a product-oriented business (Kotler 2000, Lovelock 1983, Lovelock 1980, Thomas 1978, Shostack 1977). Retailing has consistently been classified as a service industry (Berry 1986) or as a distinct type of business from manufacturing, public administration or pure services (Levy and Weitz 2001). Levy and Weitz (2001) define retailing as, “the set of business activities that adds value to the products and services sold to consumers for their personal or family use,” (p.8).

Museums have been classified as services as well (McLean 1994, Lovelock 1983). According to McLean (1994) museums are a distinct type of services marketing. As a service, a museum personifies the concept of intangibility (Klein and Lewis 1985; Shostack 1977) because it is the sensory experience of visiting a museum, even though the physical plant of the museum is very tangible. When the consumer leaves the exhibition portion of the museum, they do so with a sensory (intangible) memory. At the point of “exchange,” when the consumer is experiencing the museum, the buyer (museum

visitor) and seller (museum) cannot be separated. (McLean 1994). Heterogeneity (Crowell 1984) or uniqueness (Unvala and Davidson 1988), as well as perishability (Unvala and Donaldson 1988) are also characteristics of services and as such are manifested in the museum setting (McLean 1994).

Because both retailing and museums are classified as services it is appropriate to use the expanded services marketing mix, popularly known as the 7 P's (Booms and Bitner 1981) to analyze or build a framework for discussing the retail marketing mix in general and the museum retail marketing mix in particular. The 7 P's are based on the original marketing mix developed by Borden (1965, 1964) which has been refined into the 4 P's of Product, Price, Promotion and Place. Because this structure was originally designed for manufacturers or product based marketers, the 7 P's were developed to more accurately reflect the service industries. The 7 P's, according to Bitner (1990) are: Product, Price, Place/Distribution, Promotion, People, Process and Physical Evidence (also called Physical Support, Physical Presence, or Tangible Cues). However, as Bitner (1990) states the 7 P's are fully encompassed within the original 4 P's. It has been suggested that the retail mix (Levy and Weitz 2001) uses 6 P's: (1) Merchandise assortments, (2) Pricing, (3) Location, (4) Advertising and Promotion, (5) Customer Selling, and (6) Store Design and Display (Levy and Weitz 2001). An older retailing mix just had three components: (1) goods and services mix, (2) communications mix, and (3) distribution mix (Lazer and Kelley 1961). Both the retail and the service marketing mixes help to reflect the more unique nature of these types of business. Because museums are a service, the 7 P framework is used in this research to insure inclusiveness of all possible details (See Figure 2). The following discussion identifies and describes

the 7 P's in retail terms. Examples of how the indicators of “educational orientation” or “financial orientation” specifically affect the marketing mix are then identified for museum stores and are shown in Table 2.1. Evidence of a strong educational or financial orientation, however, should not be construed to mean that the indicator is totally educational or financial, only that its primary orientation is marked enough to indicate the possibility of significant affect on the marketing mix in one direction or another.

**TABLE 2.1: Indicators of Museum Retail Strategies with Educational or Financial Intensities in the Museum Retail Marketing Mix**

The Seven P's	Educational Indicators	Financial Indicators
Product	High degree of relatedness of products to the collection High degree of educational value of the products Reproductions in the assortment Unique/custom-made product assortment Limited assortments (Theobald, 2000; Wilson, 1988; McIntyre and Miller, 1999)	Private label assortment Souvenir product assortment Large assortments (Ewing, 2000; Webster, 2000; Bennett and Gabriel, 2000; Grewal, Krishnan, Baker and Borin, 1998; Jansen and Verbeke, 1991; Graburn, 1977; Litrell, 1990; Littrell, Andersson and Brown, 1993; Schmoll, 1977; Kean and Niemeyer, 1996; Simonson, 1999; Kotler, 2000)
Price	Demand pricing below normal markup Lower markups ((Lovelock and Weinberg, 1989; Ansari, Siddarth and Weinberg, 1996, Lovelock and Hyde, 1980)	High/low pricing Permanent markdowns Competitive pricing Higher markups Discounts calculated into initial markup (Hirschman and Wallendorf, 1982; Lovelock and Weinberg, 1989)
Place		Placement of retail presences in addition to the museum location Placement of retail stores near entrances or exits to the museum (Theobald, 2000)
Promotion	Educational descriptions and/or educational text in catalogs, retailing web -sites, and direct mail (Theobald, 2000; Drumwright, 1996)	Promotional activities designed to specifically increase store visitation Promotional activities seasonally adjusted to favor peak season shopping (Theobald, 2000)

People/Participants	<p>Interpretive training</p> <p>Incentives or rewards for educational training or interpretation skills</p> <p>Store management with professional museum experience and/or training</p> <p>Store management rewarded for educational performance</p> <p>(Theobald, 2000; Berman and West, 1998; Bickel, 1986)</p>	<p>Selling skills training</p> <p>Incentives or rewards for financial or sales performance</p> <p>Store management with professional retail business experience and/or training</p> <p>Store management rewarded for financial performance</p> <p>(Lusch and Serpkenci, 1990; Levy and Weitz, 2000; Berman and West, 1998; Bickel, 1986; Jaworski, 1988)</p>
Process	<p>Providing educational literature</p> <p>Product development process that includes curatorial staff</p> <p>Reference to the museum store as an educational opportunity in museum orientation</p> <p>Audience or educational research in the museum store</p> <p>Educational demonstrations in the museum store</p> <p>Limited store hours</p> <p>(Theobald, 2000; Alexander, 1996)</p>	<p>Point of sale merchandise management system</p> <p>Greater amount of hours open for business</p> <p>Market research activities</p> <p>Museum orientation mention as a shopping opportunity</p> <p>(Murphy, 1980, Peterson, 1980)</p>
Physical Evidence	<p>Low % of museum space devoted to retail stores.</p> <p>Store design, fixturing and/or display involves museum curators</p> <p>Atmospherics highly related to the collection</p> <p>Educational cues in advertising, on bags, tags and product inserts.</p> <p>(Theobald, 2000; Alexander, 1996; Kumar and Karande, 2000; Kotler, 1973)</p>	<p>High % of museum space devoted to retail stores.</p> <p>Store design, fixturing and /or display is planned for convenience, ease of shopping, and maximizing sales.</p> <p>(Lord and Lundregan, 1999; Dabholkar, Thorpe and Rentz, 1996; Kumar and Karande, 2000)</p>

***Product:***

Levy and Weitz (2001) equate the term “product” with the “merchandise assortment” that is sold by a retailer. However, a broader definition of product is, “any bundle or combination of qualities, processes, and capabilities (goods, services and/or ideas) that a buyer expects will deliver want satisfaction,” (Enis and Roering 1981, p.1). According to Booms and Bitner (1981) the product decision is a fairly broad one and can include such things as the brand name, quality of inputs, features and options. Booms and Bitner (1981) go on to say that the product decision involves participants, physical evidence and process. While Booms and Bitner (1981) were trying to make a point regarding the difference between service marketing and the marketing of products, the indication is that none of the 7 P’s operates alone. The product decision involves price, place, promotion, etc. Therefore, there is an indication of a linkage among all of the elements of the marketing mix.

In order to achieve the research agenda proposed in this paper, it is necessary to identify those features of the product of museum stores that may be affected by the financial or educational orientation of the museum. The fact that differing degrees of a museum store’s merchandise assortment is related to the collection of the museum (Museum Stores Association 2000) is a logical place to start. The relationship can take the form of the museum’s collection through a historical period represented by the collection, artists whose works are displayed, the museum’s artistic category (Theobald 2000), or “to the actual structure of the museum or its location if these are historically or architecturally significant,” (Theobald 2000, p. 48).

Merchandise assortments are planned and their content is normally based upon financial objectives, and the primary goal of most retailers is to sell merchandise (Levy and Weitz 2001). Merchandise management involves making sure that the retailer, “has the right quantity of the right merchandise in the right place at the right time while meeting the company’s financial goals,” (Levy and Weitz 2001; p. 347). The assortment plan for what merchandise should be carried in what categories is the result of planning the merchandise assortment (Levy and Weitz 2001). Since members of each category of product are seen as reasonable substitutes for each other, then the objective of the assortment plan is to maximize sales and profits from each category (Levy and Weitz 2001). The merchandise that has the best gross profit (or highest markup) and has the highest rate of sale in proportion to the stock that is carried (inventory turns) are considered the best merchandise investments for the retailer (Levy and Weitz 2001). Generally, marketers measure the product assortment in terms of its width (number of categories), length (of product lines), depth (within each category) and consistency (Kotler 2000). Retailers, however, tend to simply assess the product breadth (number of categories) and product depth (assortment within categories) (Levy and Weitz 2001).

In the museum store case, however, anecdotal evidence points to the fact that there are often trade-offs between items that may be optimal financial performers and other items that are driven by such things as the educational mission, tax codes governing nonprofit behavior, or donor tastes. The educational nature of the product assortment is influenced in the United States by the tax codes governing nonprofit institution’s merchandise sales. According to the United States tax codes, items that are sold by nonprofit institutions must be significantly related to the mission of the organization

(Lovelock and Weinberg 1989; Larkin 1987). In the case of museums, the United States tax code views the mission of the museum to be educational (Ames 1988). Therefore, most museum stores strive to protect their profit from taxation by carrying products which are related to the museum's collection. The related nature of the products to the collection is therefore to some extent a manifestation of both the educational orientation and the financial orientation of the museum store. However, the degree of educational orientation is manifested by the degree to which the educational nature of the products mix reflects the collection and the educational value of the products. For example, in some museums ceramic coasters with pictures of the museum building are certainly related to the museum, but unless the museum building is of intrinsic educational merit, the coasters have little or no educational value.

However, within the context of being "related" to the collection, and therefore educational, there are varying degrees of relatedness found in specific product strategies which should yield some clues as to the strength of the educational orientation. For example, a museum store can find manufacturers for and sell carefully-made reproductions of some of its collection items. Because of the limited manufacture of most of these items, and the fact that sales may be restricted to the museum only because the items do not have a customer demand outside the museum setting, the presence of a strong reproductions program in the merchandise assortment would tend to reflect a strong educational orientation (Wilson 1988). Additionally, museums carry items that have been developed exclusively for them, that are not necessarily reproductions. Again, these products are most likely fairly expensive due to the limited nature of production and may be restricted to the museum because of museum-related demand and therefore reflect

a stronger educational orientation. While the limited availability of the products give the museum store a uniqueness in its assortment that is not easily replicatable (and therefore translates into a competitive advantage) (Simonson 1999, McGrath 1989), the high price of the items, and the possible lack of functionality (Hirsch 2000), reduce the demand such that the competitive advantage may be diminished or extinguished. The leather fire buckets that are sold by Colonial Williamsburg in their historic stores are a good example of a relatively rare, collection based reproduction that is fairly expensive. While difficult to replicate, and certainly unique, the demand for the items is relatively low. However, the educational opportunities offered by having them in the store are excellent because they give an interpretive museum staff something very unique and interesting to talk about. Leather fire buckets give visitors to the store a point of reference to compare a modern fire extinguisher to what was used by people in the 18<sup>th</sup> century to protect their homes.

On the other hand, many museums use “private-labeling” programs. These programs allow many museum stores, as well as mainstream stores, to carry mass-produced products that carry the museums’ label and therefore are somewhat related to the museum itself. Soaps and food products, especially jellies and relishes lend themselves well to private label programs. In this case the museum store is trying to carry products that are lower in price and more commercially viable while still trying to protect their tax status. Therefore, a relatively higher incidence of privately-labeled products that are mass-produced reflects a stronger financial orientation. Private labeling may also indicate a marketing strategy that is related to the image of the museum itself, an example of a “branding” strategy on the part of the museum as a whole or the museum



store. While there is normally a separation between brand loyalty and retailer loyalty (Ewing 2000), this separation may not be so strong in the museum retail scenario. In fact, there may be some prestige associated with the “brand” or museum image (Webster 2000). While this strategy may have a secondary educational orientation, in that it might re-enforce visitation or awareness of the museum, the primary orientation is most likely financial. This may partly be due to the fact that products associated with a good cause sell better (Bennett and Gabriel 2000).

Some museum stores have pursued a strategy of licensing their designs and or reproductions (Theobald 2000) such as Wintertur’s and the Metropolitan Museum of Art’s reproduction and licensing programs. This allows the museum store to carry reproductions or near reproduction like products that are mass-produced. The mass production means that the items can be more popularly priced. A royalty is paid to the museum for the use of the design and the products often carry a prestigious looking label explaining their association with the museum. Educational information may also be present with the product. Consequently, the presence of a licensing program should indicate that both the financial and educational orientations are necessarily strong, and therefore no significant difference between the two orientations should be found in museums that have strong licensing programs.

It cannot be forgotten that museums are tourist destinations for many people (American Association of Museums 1984). Consequently, some of the customer behavior in museum stores may derive from souvenir, or tourist-like shopping. Tourist-related products are part of the travel experience (Jansen-Verbeke 1991) and therefore should have a fairly high incidence of relatedness to the site (Graburn 1977, Littrell 1990).

Littrell, Anderson and Brown 1993, and Schmoll 1977). Souvenirs in general, “serve as symbolic reminders of the trip” (Kean and Niemeyer 1996, p. 13). However, souvenirs in general tend to be attractive at lower price levels and therefore are best sellers if they are mass produced, and also tend to be designed to satisfy a broad customer base. Because of these facts, souvenir type items will have a tendency to reflect the museum as a whole, rather than parts of the collection. Therefore, the incidence of souvenir-type products will tend to help satisfy the financial orientation of the museum to a greater degree than the educational orientation. This may also be the case because of the effect of the museum “image” and the perceived value of the product because it overtly states that it is from the museum. Store image (and perceived value) have been shown to be positively related to purchase intention (Grewal, Krishnan, Baker and Borin 1998) and therefore should reflect a financial orientation.

Overall, the merchandise assortment is constrained by physical space which is limited in many cases by the location of the store. In a museum, the decision to allow part of the organization’s space to be used for a museum store tends to indicate that the space is even more limited than in a normal retail environment. Therefore, the product choices that are made should necessarily reflect the degree to which a museum store is oriented towards its overall objectives. Whereas, most retail stores use the physical space limitations to seek the optimal product assortment that yields sales and profitability (McIntyre and Miller 1999), the museum store may be affected in different ways. Certainly, having given up significant space, the museum will expect a financial return. Their willingness to forego some of the financial return in exchange for more esoteric goals or a limited assortment indicates an orientation towards more non-financial goals.

Additionally, it has been posited that the product assortment cannot only satisfy specific customer wants and needs, but the assortment can shape consumer preferences and affect not only whether they purchase or not, but what they purchase (Simonson 1999). Anecdotal evidence additionally indicates that an inventory assortment that offers choices within a category tends to move a customer's purchasing process (Kotler 2000) from the stage of information search to evaluation of alternatives. Therefore, the size of the assortment carried by the museum store should be positively related to a financial orientation because the size of the assortment will indicate that the museum is interested in making sales.

Support for the trade-off between products that may have higher price and more educational orientation and products that may be lower priced and reflect more financial orientation is offered by Hirschman and Wallendorf (1982). Hirschman and Wallendorf (1982) differentiated between retailers with regard to product types in which they considered a product continuum that reflected both high and popular culture (Peterson 1979). Hirschman and Wallendorf (1982) developed a framework of organizations for retail products and institutions. High-culture products were, "perceived (or stereotyped) as being elitist, expensive, and consumed by the upper classes)," (p. 7). High-culture products also tended to have high standards of quality and/or elite appeal (Levy 1976). Popular-culture products, such as T-shirts, coasters, key rings and mugs are often perceived as being produced for the mass market and are therefore somewhat common and even cheaply made.

One product category that may have a confounding effect if not dealt with carefully is that of books. This is one of the major selling categories that most museum

retailers carry in their assortments (Theobald 2000). Books, in and of themselves, can be considered educational in nature. If they are related to the collection or published by the museum themselves or written by the staff or under the auspices of the museum they would represent the educational orientation of the institution to a greater degree.

Overall, therefore, several product characteristics serve as indicators of educational or financial intensity in the museum retailing strategy as recapped in Table 1. Educational indicators include: (1) A high degree of product related to the collection, (2) The educational value of the products, (3) The presence of reproductions in the assortment, (4) Unique/custom-made product assortments, and (5) limited assortments. Financial indicators include: (1) Private label assortments, (2) Souvenir product assortments and (3) Large assortments.

### ***Price:***

For most main-line retailers, the first pricing decision is between “Every Day Low Pricing” and “High/Low Pricing” (Levy and Weitz 2001) and generally reflects a competitive strategy and internal competencies that allow the firm to maintain one or the other pricing strategy. Other pricing decisions include the use of coupons, leader (or so called “loss-leader”) pricing, price bundling, odd-pricing and price lining (Levy and Weitz, 2001). Beyond, these strategies, (which are highly linked to competitive strategies) the retailer also chooses between several methods of setting general price levels. The most common of these is the cost-oriented method of setting prices (Levy and Weitz 2001). However, competition-oriented and demand-oriented methods may also be used (Levy and Weitz 2001).

“Every Day Low Pricing” (or EDLP) is usually used in a low price competitive strategy (Levy and Weitz 2001) such as in the case of Wal-Mart. It generally requires that the retail firm can sell such a huge volume that it can overcome its cost structure through sheer volume. EDLP also generally reflects the retailer’s ability to strongly negotiate product cost downward to a level that allows for a reasonable markup on the goods while maintaining competitive prices. It is unlikely that any museum stores are pursuing this pricing strategy because no museum retailer comes close to the type of volume that a major for-profit retailer does in the United States.

This means, by default, that the museum stores are using some variation of “high/low” pricing. However, the frequency and the depth of the differences between high and low pricing run a broad spectrum of alternatives. First of all, the high/low pricing strategy reflects a “regular” price and a “sale” or “marked-down” price. It may be promoted through signage, ticketing or other means as a percentage or actual price reduction (Chen, Monroe and Lou 1998). The length of time that an item stays at regular price in comparison to sale price reflects the store’s pricing and marketing strategy. Additionally, the time a product stays in the store before it is permanently marked down may be the result of a number of different things.

Retailers generally take permanent mark-downs to liquidate overstocks, damages, or slow moving inventory and generally reflect the desire to increase inventory turnover (Lovelock and Weinberg 1989). Non-retail museum staff, or untrained museum retail staff may see mark-downs as a very “commercial” activity with the next step being the “bargain basement.” To the uninitiated markdowns may also be viewed as compromising to the image of the museum. While this is not necessarily the case, it is likely that the

existence of markdowns, no matter how tastefully done, will be reflective of a financial orientation.

Unlike mainline retail stores, museum stores will generally have a lower percentage of “regular” shoppers. Even though museum stores will have some clientele (especially museum members and employees) that shop with them regularly by visit, by mail, or by internet, the museum visitors as a whole are not regular visitors to the institution and will therefore not be a regular shopper in the store (Bhattacharya, Rao and Glynn 1995). Therefore, the museum store is not likely to see the use of price reductions as sale promotion tools for increasing shopping or traffic to the extent that a non-museum store does (Chen, Monroe and Lou 1998). The use of off-price or sales may also not reflect the “high-culture” image of some museums (Hirschman and Wallendorf 1982). Therefore, curators and collection managers may also have an aversion to seeing “sales” of museum store products as not being fully supportive of the educational, collection and conservation mission of the museum. Therefore, the use of high-low pricing will be modest at best on the part of the museum store and will reflect a financial orientation in the cases in which it occurs.

General pricing methods (cost, competition or demand) used by museum stores are generally based on the cost method (Theobald 2000) although they can be occasionally augmented with the demand method and much more rarely with the competition method. Using the cost method, retailers use the cost of goods sold and some formula, pre-determined markup, industry standard or manufacturer’s recommendation to determine the retail price. Demand pricing, on the other hand, is generally based on what customers are willing or expect to pay (Levy and Weitz 2001).

It can result in prices that are above a customary markup, in the case of unique items where it is thought that the customer will pay for the exclusivity, quality level, limited nature or the snob appeal of high price associated with high culture (Hirschman and Wallendorf (1982). Higher than ordinary pricing may also reflect an interest or need to satisfy certain income objectives on the part of the museum store. Therefore, demand pricing that is set above any normal markup will generally not reflect any difference between the educational and the financial orientation. On the other hand, below customary markup level may occur when the cost of the product is so prohibitively expensive that it will never be sold if the normal markup is applied. This often occurs in curatorially driven products (Lovelock and Weinberg 1989) where the museum curators influence the store to carry unique items for which there is little or no demand at any price. The Colonial Williamsburg stores carried an item called a teasel striker for many years. In colonial times these instruments were used to card wool. However, even the limited market for wool carding devices tends to buy more modern and less fragile items. Even as decorative items at very low prices teasel strikers did not sell. However, they did lend educational value to the store. Additionally, it has been determined that in the case of nonprofits in general, an objective of pricing is to maximize the amount of users (Ansari, Siddarth and Weinberg 1996, Lovelock and Hyde 1980). Therefore, demand pricing at a lower than normal markup indicates an educational orientation.

The competitive pricing method will generally be tied to merchandise that is carried by other museum stores or other retail stores in general. Therefore, that merchandise is likely to be less uniquely related to the museum in question. Consequently, use of the competitive pricing method would be linked to a financial

orientation. Most museum stores are physically set apart from competitive retailers by their location in the museum. Therefore, the need for competitive pricing is less urgent than for non-museum retailers (Lovelock and Weinberg 1989). Those museum retailers with catalog and internet presences, however, will likely feel more exposure to competition and will tend to price more competitively the more financially oriented they are.

Cost methods reflect the application of a standard markup on all goods, or a standard markup by product classification. The level of the markup is set by financial expectations and traditional practices, manufacturer recommendations, industry standards and expense considerations (Levy and Weitz 2001). In the museum store the level of markup may be higher depending upon the drive for financial income and the need to cover expenses. Therefore, higher markups will tend to be associated with stores in more financially-oriented museums. Staffing is normally one of the highest operating expenses that retail stores incur (Levy and Weitz 2001). Therefore, museum stores that are staffed by volunteers do not have the same need for high markups as museums stores staffed by paid staff. Therefore, a museum store with a volunteer staff that employs high levels of markup would indicate a financial orientation.

Membership and staff discounts should be taken into account when the level of markup is set if a museum store wishes to achieve its financial objectives (Lovelock and Weinberg 1989). Therefore, those museum stores that take the membership and staff discounts into consideration will most likely have a financial orientation.

Overall price levels are ambiguous indicators of financial or educational orientation. On one hand, very high prices generally reflect high quality, or items made



in limited production runs which may reflect an educational orientation. On the other hand, a museum may have a large school and student age visitation level and will offer them products that are relatively low priced in order to make sure that they are able to take some tangible and educational item home with them. The concept of being “high” priced or “low” priced is generally thought to be in the eye of the customer. Because of the confounding nature of low or high pricing it will not be tested in this research.

In total, different characteristics of price are indicators of an educational or a financial orientation in the museum retail marketing mix as shown in Table 2.1.

Indicators of an educational intensity include demand pricing below the normal markup and lower markups in general. Financial intensity indicators include: (1) The use of high/low pricing, (2) Permanent markdowns, (3) Competitive pricing, (4) Generally higher markups, and (5) Discounts calculated into initial markups.

### ***Place/Distribution:***

For the retailer, the marketing strategies of “place” have to do with the location of the retail store or stores (Levy and Weitz 2001). Considerations normally include the type of retail location, e.g., central business district, shopping center, mall, or freestanding (Levy and Weitz 2001). The location choice is highly related to the overall retail strategy. For example, department stores and specialty apparel stores generally chose to be in malls or active central business districts where the capability of drawing large numbers of people exists (Levy and Weitz 2001). In these types of cases, competition from other retailers may have the effect of creating additional traffic due to the increased size of the shopping area (Huff 1964). Considerations that a retailer

considers when choosing a location include the overall traffic at the site, cost, demographics of the area, size of the customer base, business climate, support facilities such as parking, adjacencies to other retailers, and competition (Levy and Weitz 2001). However, deciding on a location has long been seen as more of an art than a science on the part of many retailers (Hernandez and Bennis 2000) despite the earlier arguments of Reilly's *Laws of Retail Gravitation* (1931).

In the museum setting, museum stores have traditionally been placed inside or adjacent to the site that houses the museum collection. Consequently, space for the museum store has been used before for exhibition space or could be used for exhibition space in the future (Wilson 1988). The choice of space is often constrained, particularly in museums which have added stores after the exhibition building was completed. The placement of a store adds "legitimacy" to the store (McGrath 1989). Hence, the situation of the museum store within the walls of the museum itself should add "legitimacy" or value to the products carried in the store, or to the retail operation as a whole. It is generally thought that a museum store that is placed near the exit (and occasionally the entrance) of the museum, will maximize their financial potential (Theobald 2000) and therefore is an indicator of financial orientation.

In the case of "place" specific actions on the part of the museum or the museum store are not clearly related to either the educational orientation or the financial orientation. While the placement of the museum store near the exit or entrance to the museum could be driven by an interest in maximizing revenue, it could also be driven by the interest of the museum in enhancing the educational opportunity afforded by visiting the store. Having more than one retail store could also be related to the distance between

parts of the museum, and the differing nature of parts of the collections such as at the Smithsonian.

However, evidence of the museum store outside the boundaries of the museum area itself tends to indicate a financial orientation due to the fact that the off-site store is not part of the museum's educational experience as a whole, except as may be reflected in the products, physical evidence, or promotional activities. Therefore, presence of the museum store in malls, holiday kiosks at remote locations, or authorized retail outlets is an indicator of a financial orientation (Table 2.1).

### ***Promotion:***

Levy and Weitz (2001) refer to the promotional part of the marketing mix as the Retail Communication Mix. The objective of the communication mix is, "to attract customers to stores and Internet sites and encourage them to buy merchandise," (Levy and Weitz 2001, p.489). Additionally, the communications program, "informs customers about the retailer as well as the merchandise and services it offers," (Levy and Weitz 2001, p. 489). While Levy and Weitz (2001) include sales promotion, publicity, store atmosphere and visual merchandising, and personal selling in the communication mix, for the purposes of this paper, the discussion of the "promotion" of the museum retail store is confined to sales promotion and publicity. Personal selling is discussed under "People and Participants" and store atmosphere and visual merchandising are discussed in the "Physical Evidence" section. Mindak and Fine (1981) call public relations the "5<sup>th</sup> p," however that will be included in the "promotion" discussion.

The discussion of promotion also needs to deal with two major themes: (1) What is being promoted, and (2) What are the means used to promote. One of the key concepts that a store promotes is its own image or name. Promotion of the store name and image as a “brand” in itself has been linked to the decision to shop and intent to purchase (Grewal, Krishnan, Baker and Borin 1998). In the case of the museum store, does the museum store promote itself or does the museum promote visitation and the museum store benefits by default? Kotler and Andreasen (1996) state that advertising and promotion are not just aimed at behavioral objectives. Advertising and promotion, therefore, can make customers aware of, and interested in new behavior – such as visiting a museum. Advertising’s target response includes awareness, knowledge, liking, preference, conviction and action (Kotler and Andreasen 1996). Nonprofit organizations are increasingly marketing themselves as a brand (Hankinson 2000). Therefore, promotional activities designed to increase museum visitation would tend to support the overall educational mission by eventually encouraging museum visitation and by default, therefore promote the store. This type of promotion on the part of the museum itself reflects both an educational orientation and a financial orientation (Theobald 2000). However, promotional activities that are specifically designed to increase store visitation or store purchase indicate a financial orientation.

Timing of promotional efforts may also indicate the educational or financial orientation of the museum store strategy. Traditionally, retailing has been a seasonal business, with a disproportionate amount of its sales in the fourth quarter. Since sales are stronger during the fourth quarter for most retail businesses, promotional activities on the part of the museum or museum store during the fourth quarter indicate that the purpose of

the advertising is to attract shoppers. However, some museums, such as zoos and historical sites may attract more visitors when schools are not in operation and therefore have their major season in the summer. Disproportionate advertising and promotional activities that seek to increase shopping in the fourth quarter or other peak season signify a financial orientation.

Retail promotion is also linked to distributive advertising methods including mail order catalogs, the internet, and direct mail, for example. These forms of promotion are highly connected to one another, as most direct mail and mail order catalogs are linked to a set of common or related mailing lists. Most catalog merchants feel they must have a web presence (Guthrie and Deans 2000). In the case of the museum store, this takes the form of both pages or presences on the museum's web-site and separate internet retailing efforts. The use of catalogs, internet and direct mail on the part of the museum store indicates the orientation of the museum strategy by the format that it adopts. Advertising that includes a social message tends not to promote sales, but can cause the public to become aware and interested in the specific cause (Drumwright 1996). The social message or cause under consideration in this research is an educational one. Therefore, the museum stores which tend to include educational descriptions of their merchandise, or devote some of their "non-store" space to educational purposes, reflect more of an educational orientation than those museums which totally devote space to a feature and benefit or customer-oriented promotional strategy in their catalogs, web sites and direct mail offerings.

Therefore, as shown in Table 2.1, promotional tools that indicate an educational intensity in the museum retail marketing mix are confined to educational descriptions and

or educational text in catalog, retailing web sites and direct mail. Promotional tools that aim to increase store visitation separate from museum visitation, and promotional activities that are seasonally oriented to increase shopping indicate a financial orientation to the retail marketing strategy.

***People/Participants:***

The retail store staff is the direct deliverer of “customer service” (Levy and Weitz 2001). Retail store staffs are differentiated by size, training (Levy and Weitz 2001), organizational structure (Levy and Weitz 2001), volunteer or non-volunteer status (Theobald 2000), motivational pay programs (Levy and Weitz 2001), type of prior or congruent experience (Theobald 2000) and degree of product interpretation (Theobald 2000).

The size of staff, or number of people attending to customers in some respect, is dependent upon several factors. Some of these factors include the physical size of the store, the need for product/customer attention as part of the transaction, the number of hours that the store is open to the public, the amount of inventory, specific traffic generating promotional activities, the locations of the store, the security risks related to the product or the location, and the number of visitors to the store. Additionally, in the case of the museum store, the level of staffing is also related to the fact that some museum stores have an interpretive mission (Theobald 2000). The museum store staff can be hired and trained to help interpret the museum in some respect, or the products in the store to the customer. Theobald (2000) contends that related products are not educational without interpretation. Therefore, evidence of this type of training or

behavioral expectation is evidence of an educational orientation. Similarly, training in sales-making techniques or “salesmanship” would indicate a financial orientation.

Many museum stores use volunteers as part of their staff (Theobald 2000). Obviously, the greater use of volunteers should increase the level of contribution that the museum store can make to the museum as it saves on the payroll expenses. The use of volunteer staffing has been associated with size; smaller museum stores using more volunteer staff than larger museum stores (Theobald 2000). While some volunteer museum store staffs take on the training and duties of docents, and actively participate in product or site interpretation or other educationally- oriented activities, others do not. There is no evidence in the literature for linking volunteers to either an educational or a financial orientation.

Different types of incentives and/or motivational tools are used in the retail environment. These tools include commissions and bonuses (Levy and Weitz 2000). While these tools are generally thought to be very effective at increasing sales, profits, or other specifically-targeted actions (Lusch and Serpkenci 1990), they also tend to cause store staff to ignore non-incentive rewarding tasks (Levy and Weitz 2000). In general, evaluations of results in the nonprofit environment will reinforce actions that result in improvements or consistency in the positively- evaluated results (Berman and West 1998; Bickel 1986). Therefore, evidence of incentives that reward sales and/or profit (contribution) for sales staff or store management would indicate a financial orientation. Conversely, evidence of bonuses or other incentives for educational information disbursement would indicate an educational orientation.

Depending upon the size and scope of the museum store operation, there is usually a single Store Manager who performs multiple duties such as store operations, selling, financial duties, merchandising, buying and possibly even product development (Theobald 2000). Larger operations, with multiple stores for example, have one or more directors of various facets of their operation which include store managers, merchandise buyers, merchandisers, stock staff and warehouse facilities, production, product development, display, financial, security, etc. (Theobald 2000). Generally, business experience is greater and tends to be more in evidence in the larger sites (Theobald 2000). Small and medium sized retail organizations have store managers whose background educationally or through experience may be related to retailing, business, or museum/collection or curatorially oriented. Effective store management has been shown to be critically important in the financial performance of the retail store (Lusch and Serpkenci 1990). Therefore, the museum that is more educationally oriented will most likely have the latter while those that are more financially oriented will hire manager's with retail or business backgrounds. Further, the performance appraisal measurements used have a significant effect on both individual and marketing performance (Jaworski 1988).

Small museums have been known to "cross-train" their docents to work in both the store and the museum based on anecdotal evidence. While this could denote an interest in providing better educational expertise to store customers, it may also be done to improve scheduling flexibility and maximum productivity using scarce resources.

In summary, educational intensity in the retail marketing mix is evidenced by: (1) Interpretive training of store staff, (2) Incentives or reward programs for educational



training or strong interpretive skills, (3) Store management that has had professional museum training and/or experience, and (4) Store management being rewarded for educational performance (see Table 2.1). In contrast, the financial intensity of the retail marketing mix is indicated by: (1) Training in selling skills, (2) Incentives or rewards for sales or financial performance for sales and/or store management staff, (3) Store management with professional retail business experience and/or training, and (4) Store management being rewarded for financial performance.

***Process:***

According to Booms and Bitner (1981), “process” includes, “the actual procedures, mechanisms, and flow of activities by which the service is delivered” (p. 48). In the case of retailing, much of the flow of activities that delivers service is involved with the participants, as mentioned above. Indeed, retail service quality has been shown to contain five dimensions: (1) Physical aspects, (2) Reliability, (3) Personal interactions, (4) Problem solving and (5) Policy (Dabholkar, Thorpe and Rentz 1996). Physical aspects are discussed in the physical evidence section which follows. Reliability comprises two sub-dimensions – that of “doing it right” and “keeping promises” (Dabholkar, Thorpe and Rentz 1996). Personal interaction includes two sub-dimensions of inspiring confidence and being courteous and /or helpful. (Dabholkar, Thorpe and Rentz 1996). Problem solving is focused on handling returns and complaints (Dabholkar, Thorpe and Rentz 1996). Store policy has to do with such things as convenient hours and the store policy’s general responsiveness to the customer’s needs. Credit card options,

parking and even the quality of the merchandise are part of store policy (Dabholkar, Thorpe and Rentz 1996).

Within the museum store setting, therefore, the process issues of reliability (“doing it right” and “keeping promises”), personal interaction, problem solving and store policy provide a basis for examination as to their ability to manifest an educational or a financial orientation. Of the reliability sub-dimensions of “doing it right” and “keeping promises”, the first sub-dimension provides a means of testing whether the museum store is educationally-oriented or financially-oriented. The educationally-oriented museum store would be “doing it right” if they maximized their use of the museum retail marketing mix that reflected the educational objectives. The situation should be reversed for the financially-oriented organization. The sub-dimension of “keeping promises” could be construed as having either a financial or an educational orientation as could the sub-dimension of “personal interaction” having to do with being courteous and/or helpful. However, the sub-dimension of inspiring confidence tends to support the idea that participants who receive educational training or sales training are carrying out an educational or financial strategy. Problem/solving skills also do not lead to any differentiation between the two orientations.

Policy, however, does provide an area that could potentially lead to some understanding of how the museum retail marketing mix reflects either an educational or a financial orientation. However, depending upon the competitive strategy chosen by a retailer (department/specialty versus discount store), profit maximizing policies which indicate a financial orientation differ greatly (Levy and Weitz 2001). Those policies used include alteration of merchandise, check cashing and dressing rooms, for example.

Additional policies regarding parking and security are so integrally tied to the museum that there is no separation of objectives indicated by them.

One process (or policy) that is being used increasingly by retailers is a Point-of-Sale (POS) system for managing inventory and tracking sales (Levy and Weitz 2001). These systems have tended to be expensive to install, and are therefore linked to the size of the organization (Museum Stores Association 1999 (a)) and its overall financial resources. However, a museum store that has a POS system would tend to be more financially oriented as there is limited educational value to this type of merchandise management tool. Additionally, store hours that are above and beyond that of the museum itself tend to indicate a financial orientation.

On the other hand, a policy of always giving educational product literature with a customer's purchase tends to indicate an educational orientation (Theobald 2000). Similarly, a policy of product development (including licensing, manufacture, and/or packaging) that involves curatorial staff in addition to merchandising staff would also indicate an educational orientation (Theobald 2000).

Many museums, particularly those that are large and complex, will give some kind of overview or visitor introduction prior to viewing the exhibition (Alexander 1996). The orientation may be a film, lecture, diorama with labels or slide shows (Alexander 1996). During the course of the orientation the museum store is sometimes mentioned. If it is mentioned with respect to an educational opportunity or as part of the museum as a whole it is an indication of an educational objective. However, if the museum store is mentioned in an orientation as a shopping opportunity, then that is an indication of a

financial objective. The same would naturally hold true for references to the store that are part of a guided tour, either in person or on tape.

The presence of market research activities, unless they specifically investigate educational experiences or knowledge accumulation, are indicators of a financial orientation as they are aimed at increasing the amount and nature of business (Murphy 1980, Peterson 1980). It is important to distinguish between market research targeted at improving financial results, as opposed to “audience” research undertaken by the museum which “examines the demographic and cultural composition of the museum audience, samples its behavioral response to exhibits and other activities, tests the effectiveness of various segments of the museum’s educational program, and experiments with increasing the interaction of exhibits and viewers in teaching displays,” (Alexander 1996, p. 159). Audience or educational research done in the museum store would logically be an indicator of an educational objective.

Educational demonstrations are a learning tool used in museums (Alexander 1996). However, educational demonstrations do take place in museum stores from time to time, as do book-signings and other activities. While the retailer could benefit financially from these activities, if they are primarily educational in nature, and therefore taking up valuable selling space and even valuable funding, they would be considered as indicators of an educational objective.

In summary, as seen in Table 2.1, the process characteristics that are associated with an educational orientation in the retail marketing strategy are: (1) The dissemination or provision of educational literature, (2) The inclusion of curatorial staff in the product development process, (3) Promotion of the museum store as an educational opportunity

in the museum's introductory presentation to visitors, (4) Research of an educational nature in the museum store, and (5) Educational demonstrations in the store. Financial orientation is characterized by: (1) The presence of a POS merchandise management system, (2) Expanded hours of store operations beyond the museum's hours, (3) Market research activities, and (4) Promotion of the museum store as a shopping opportunity in the museum's introductory presentation to visitors.

***Physical Evidence:***

Physical evidence or physical cues have a strong influence on the communication of the firm's image and purpose (Bitner 1992). The physical surroundings in a retail environment can have a significant effect on both customers and employees (Bitner 1992). The effect on customers includes reactions that either lead to purchase intention (approach) or avoidance (Bitner 1992). The physical evidence, or physical cues, include, "the ambient conditions (temperature, air quality, noise, music, odor, etc.), space and/or function (layout, equipment, furnishings, etc.) and signs, symbols and artifacts (signage, personal artifacts, style of décor, etc.)," (Bitner 1992, p.60). The "physical evidence" of a retail store also includes its size (Lord and Lundregan 1999), as well as design, layout, display and its atmospherics (Levy and Weitz 2001). In for-profit retail settings the size of the store is a sign of its level of performance (Lord and Lundregan 1999). Optimal store size is highly related to the population within a shopping region (Lord and Lundregan 1999). In the case of the museum store, this population could reflect the region in which the museum is placed or the size of the visitation to the museum. As mentioned previously, size can be constrained by the museum building itself. There is no

literature that relates the size of the store to a financial or educational orientation.

However, since size is related to level of performance (Lord and Lundregan 1999), it is likely that the greater percentage of museum space devoted to store activities would tend to be indicative of a financial orientation.

Other physical evidence includes aspects of the physical appearance of the store (Dabholkar, Thorpe and Rentz 1996) such as signage, fixtures, and displays which provide clues to orientation in their content, design and their process of development. Like the product- development process, the involvement of curatorial professionals in the signage, fixturing and display is an indication of an educational orientation (Theobald 2000). Conversely, the convenience of the store with respect to making purchases (Dabholkar, Thorpe and Rentz 1996) is an indication of an attempt to maximize profits. As such, purposeful designing of the museum store for shopping convenience and accessibility by the customer indicate a financial orientation. For example, financial performance has been positively linked to the number of checkout counters per square foot of space (Kumar and Karande 2000), and the number and size of cash/wrap stations per square foot of space should be a reflection of a financial orientation. However, store convenience can aid the educational objectives, just as convenience or crowd control affect the educational opportunities in visiting the museum collection (Alexander 1996) and therefore, will not be a very strong indicator of a financial orientation unless the convenience is planned with a financial objective in mind. Planning for convenience with the objective of allowing for greater interaction, or planning by curatorial staff, would conversely indicate an educational objective. Physical evidence of educational

cues in advertising, on bags, on tags or on product inserts is more indicative of an educational orientation (Theobald 2000).

Atmospherics includes means of subtle communication in the design elements of the store environment such as lighting, color, music and even scent (Levy and Weitz 2001). Atmospherics create retail environments that are unique to a store and therefore form part of the firm's retailing strategy (Kumar and Karande 2000, Kotler 1973). If the retail strategy is a reflection of the museum's strategy, then the atmospherics should reflect the orientation of the strategy. Store environment, according to Wesley and Fairhurst (2000) includes not only ambient and design factors, but social factors as well. Therefore, the use of atmospherics that reflect the educational objectives of the museum, normally by their relatedness to the collection, are indicators of an educational orientation.

Given the evidence discussed, therefore, the characteristics of an educational intensity in the museum retail marketing mix include: (1) A low percentage of museum space devoted to retail stores, (2) Store design, fixturing selection and display techniques that involve museum curators, (3) Atmospherics that are highly related to the museum's collection, and (4) Educational cues used in advertising, on bags, tags, product inserts and other collateral materials (Table 2.1). In contrast, the financial intensity of the museum retail marketing mix is characterized by: (1) a high percentage of museum space devoted to retail stores, (2) Store design, fixturing selection and display techniques that are planned for shopping convenience and maximization of sales.

### ***Summary:***

This detailed analysis of the museum retailing mix has identified a number of retail strategies that are indicators of either an educational or a financial orientation as detailed in Table 2.1. It is important to note that at no place in the literature is there any evidence that a museum store adopts only one or the other strategy, and in fact can pursue both educationally and financially oriented strategies at the same time. The indicators of the orientations also vary in terms of degree of intensity and are often related to one another. However, in general, higher levels of educational orientation will be associated with a more educationally intense retail marketing mix, and higher levels of financial orientation will be associated with a more financially intense retail marketing mix (Figure 1).

### **Performance Measurement**

There is a link between business strategy, strategic marketing choices, and performance (Conant, Mokwa and Varadarajan 1990). This follows the basic idea that strategy is the antecedent to process or other variables and results in performance or output (Ginsberg and Venkatraman 1985). However, understanding how to measure the effectiveness of strategy and strategic marketing choices through various performance measures is complex (Cameron and Whetten 1983). As Cameron and Whetten (1983) point out, “the definition of effectiveness requires some explicit normative statement about *what* the organization should be doing for *whom*,” (p. 95). In the world of the museum store, the store may be both educating visitors and financially supporting the



museum. It is doing both of these things, not necessarily in a dichotomous manner, but along a continuum with varying performance results.

It would be simple to say that the financially-oriented museum store is customer driven and therefore will reap more financial rewards than the educationally-oriented museum store. However, in the nonprofit world financial rewards are not necessarily the result of customer- driven strategies (Voss and Voss 2000). Rather, evidence has indicated that mission- (or product-) driven, in the case of the performing arts, can result in greater financial performance than market-driven orientations and that a customer orientation actually results in a negative financial performance (Voss and Voss 2000).

The previous discussion of museum retail marketing strategies based on the two objectives of education and finance indicates that there are numerous indicators of both objectives in the museum retail marketing mix. Included in these indicators are some that appear to manifest both the educational and financial orientation at the same time. Therefore, it would be unlikely that a financially-driven strategy would have only financial indicators and only financial results. Conversely, it would be unlikely that an educationally-driven strategy would have only educational indicators and only educational results.

It would also be inappropriate to measure the results of an educationally-driven strategy in purely financial terms. Measurement of the effectiveness of a marketing strategy should reflect the strategy and objectives of the organization (Kaplan and Norton 2001, Slater, Olson and Reddy 1997). Therefore, in the case of the museum store, and for this research, the museum retail marketing strategy should be measured in terms of achieving both educational and financial objectives. Measuring marketing strategy

outcomes or performance reflects the proposed theory of marketing control (Jaworski 1988).

Further, subjective measures of performance will give a more robust analysis of the educational construct, due to measurement limitations. Both objective and subjective measures of nonprofit performance have been used successfully (Voss and Voss 2000). Subjective performance measures have been shown to be a valid means of measuring performance, and have particular value when measuring the multidimensional nature of organizational performance (Dess and Robinson 1984). Subjective measures have also been used as significant diagnostic tools to improve retail performance (Samli, Kelly, and Hunt 1998).

The question, then, is what exists in the literature to provide a guide for evaluating educational and financial performance? In order to answer this question a review of the literature regarding retail and educational performance measures follows, as well as a discussion of the museum size.

### ***Retail Performance Measures:***

According to Levy and Weitz (2001) a number of financial measurements are used by retailers to evaluate performance. These financial measures include Net Profit Margin, Asset Turnover (including Inventory Turnover), and Return on Assets.

Performance measures can be grouped into Input Measures, Output Measures and Productivity Measures (Levy and Weitz 2001). Given that this research is focused on the strategic objectives of the museum as a whole as they are manifested in the marketing mix of the retail museum store, the corporate measures of Return on Assets, Asset

Turnover, Sales per Employee and Sales per Square Foot (Levy and Weitz 2001) at first glance seem the most appropriate measures of overall financial performance. However,

**TABLE 2.2: MEASUREMENTS OF RETAIL FINANCIAL PERFORMANCE**

<b>Researcher(s)</b>	<b>Measurements</b>	<b>Application</b>
Levy and Weitz (2001)	Net Profit Margin Asset Turnover (ROA) Inventory Turnover Sales per Employee Sales per Square Foot	Retailing
Kumar and Karande (2000)	Sales Sales per square foot	Retailing
Donthu and Yoo (1998)	Data Envelope Analysis – multiple inputs and outputs, controllable and uncontrollable factors, efficiency rating using a “relative-to-best” analysis	Retailing
Lusch and Serpkenci (1990)	NPS – net profit before corporate tax allocation expressed as a percent to sales SPF – net sales per square foot of selling area SIN – net sales per dollar of average inventory investment SFE – net sales per full-time equivalent	Retailing
Ingene (1982)	Average transaction trends Sales per hour worked	Retailing
Kaplan and Norton (1996)	Measurements relative to business phase: 1. Growth – sales growth by segment, percent of revenue from new products, share of target customers or accounts 2. Sustain 3. Harvest – profit and productivity	Business strategy
Day and Fahey (1988)	Shareholder valuation	Business strategy
Theobald (2000)	Cost of goods sold percentage to sales Sales per museum visitor Net profit trends Inventory turnover	Museum retailing
Ames (1991)	Sales per square foot Sales per museum visitor Sales trends Inventory turnover	Museum retailing

other studies have looked at the issue differently and arrived at different measurements as demonstrated in Table 2.2. In particular, Lusch and Serpkenci (1990) found that:

*Four individual measures obtained from the survey of store operations were used to operationalize the store performance construct: net profits before corporate tax allocation expressed as a percentage of sales (NPS), net sales per square foot of selling area (SPF), net sales per dollar of (average) inventory investment (SIN), and net sales per full-time-equivalent employee (SFE). Collectively, these measures were intended to capture both the level of profitability and the productivity of each store and to represent the economic outcomes for the retail chain, (p.93).*

While this set of measurements replicates Levy and Weitz's (2001) productivity measures of sales per employee and sales per square foot, it adds the net sales percentage to sales and net sales per dollar of (average) inventory.

While most retailers use productivity, or input versus output measures, it has been proposed that retail productivity assessment is more meaningful on an individual store level using data envelope analysis (Donthu and Yoo, 1998). This method allows for multiple inputs, both controllable and uncontrollable and multiple outputs. A single "efficiency" rating is developed for each store and allows retail managers to make "relative-to-best" comparisons rather than "relative-to-average" comparisons (Donthu and Yoo, 1998). The intended use of this method is for store management, whereas traditional productivity measures are more appropriate for macro-level analysis (Donthu and Yoo, 1998).

Kumar and Karande (2000) exhaustively reviewed retail performance measures in a study of retail scanner data and concluded that store performance is related to the level of data collection and the explanatory variables being used. In their study of the effect of retail store environment on retail performance, therefore, they used "sales" and "sales per square foot" to evaluate retail performance.

Business strategies, in general, have been classified into three stages depending upon life cycle: (1) Growth, (2) Sustain and (3) Harvest (Kaplan and Norton, 1996). The financial objectives for businesses in each of these phases should be different. Revenue growth and mix, cost reduction/productivity improvement and asset utilization/investment strategy, respectively, are the three financial themes that have been offered to drive the business strategy (Kaplan and Norton, 1996). Obviously, different financial performance measures are more appropriate to each of these financial themes and business strategy (Kaplan and Norton, 1996). In the case of measuring performance of retailers in general, this may have some important implications. However, the financial objective of the museum store has been to traditionally create a financial contribution to the museum itself (Lovelock and Weinberg, 1990) while maximizing the return on any investment or assets being used. Therefore, the financial performance measures of a museum store are going to be associated with profit and productivity rather than with sales growth rate by segment, percentage revenue from new products, and share of targeted customers or accounts (Kaplan and Norton, 1996). Additionally, financial performance measures for museums and museum retailers will not use shareholder valuation recommended by Day and Fahey (1988) as a means of valuing market strategies.

In the museum retailing arena, practitioner literature emphasizes evaluation of pricing strategy by using Cost of Goods Sold (Theobald, 2000). A low cost of goods sold usually indicates a high gross margin strategy, which in the case of the museum store would arise from a financial strategy. Financial evaluation of retailing activities in general and museum stores or a nonprofit environment are performed using the following

ratios: (1) Sales per square foot (Ames, 1991), (2) Sales per visitor in the museum store (Theobald, 2000; Ames, 1991), (3) Average transaction trends (Ingene, 1982), (4) Sales per hours worked (Ingene, 1982), (5) Sales trends (Ames, 1991), (6) Net profit trends (Theobald, 2000) and (7) Inventory turns (Theobald, 2000, Ames, 1991). Therefore strategies that affect store size (Lord and Lundregan, 1999), salesmanship ability in the store and efficient use of inventory by experienced retail managers have the ability to affect performance. Additionally, location of the store with respect to the museum can greatly affect the sales per visitor (Theobald, 2000).

In the case of the museum store, therefore, the combination of traditional retailing financial performance measures that examine Input, Output and Productivity using multiple measurements is most appropriate. Therefore, the financial performance measures that would be appropriate to examine in this research include: Gross Margin % to Sales, Operating Expenses % to Sales, Net Profit (Contribution) % to Sales (Net Margin), Inventory Turnover, Asset Turnover, Return on Assets, Sales per Square Foot and Sales per Museum Visitor. Issues of comparability of these measurements will be addressed in Chapter Three.

### ***Educational Performance Measures***

Measuring educational performance is more problematic than measuring financial performance. As Kotler and Andreason (1987) state:

*A second problem with nonprofit marketing objectives is that accomplishments may be very difficult to detect because of their intangibility. How does one know, for example, that museum visits or symphony attendance have become more 'educational' or that 'improve the quality of life in the community?' Yet these are often set as the marketing goals of nonprofit institutions. They are perfectly legitimate goals; they just present serious measurement problems (p. 23).*

Museums should make a distinction between the quality of education delivered and the number of people who attend an educational “opportunity.” As McLean (1993) states, “what is fundamental, however, is the value placed on the collection by the public, which in turn reflects the quality of experience. Success in marketing terms can only be measured in terms of the quality of the experience” (p. 17). The critical point in the educational objective of the museum is the point of interaction between the visitor and the museum (Goulding, 2000).

The American Association of Museums (1984) described the educational mission of museums as including, “the notion that they should communicate the essence of ideas, impart knowledge, encourage curiosity and promote esthetic sensibility” (p. 55).

Museums have long included the following educational activities: (1) gallery “instruction”, (2) outreach through branch museums, (3) educational hands-on interactive exhibits aimed at children and adults, (4) gallery labels that explain rather than just identify, (5) brochures and catalogs that give an overall and contextual view of exhibits, (6) docents who give talks, (7) curators who lecture, (8) special tours for schoolchildren and (9) interactive computerized displays (American Association of Museums, 1984).

The museum community and the public have debated the educational activities of the museum as to whether they are truly educational or enriching (American Association of Museums, 1984). However, in terms of providing both informal as well as formal educational opportunities the debate seems to have resolved that museums as a whole provide educational opportunities (American Association of Museums, 1984).

Given that educational opportunities exist in museums, what are the things that identify learning opportunities or activities, and how is the learning measured?

Answering the second question first, the literature, both practical and academic is very sparse in terms of measuring learning in the museum setting. Alexander (1996) recommends building mockups of exhibits to test their learning effectiveness prior to the final exhibit being constructed or installed. If each display of the collection is a teaching exhibit, then pre- and post- testing are recommended to evaluate the learning that occurs. The only published measurement of learning (or educational effectiveness) is a pilot study of museum effectiveness that was undertaken at The Franklin Institute (Borun, 1977). Among other things, the study measured the amount of learning that took place as a result of museum visitation using a pre- and post-visit test (Borun, 1977). Sub-scales of levels of learning with respect to vocabulary and concept were tested as were educational methods of experience and direct participation (Borun, 1977). Museum professionals are not entirely clear on how customers learn in the museum environment (American Association of Museums, 1984). They do seem to have consensus on the idea that museum learning is object (or collection) based, and that a number of methods can be used (American Association of Museums, 1984). Learning in the museum setting:

*...means to develop the ability to synthesize ideas and form opinions, shape an esthetic and cultural sensibility. These intellectual qualities result from all kinds of learning, but they are the special province of museums, where objects and ideas are interwoven in an open process of communication that blends study and exploration, seeing and thinking and, in many instances, touching. (American Association of Museums, 1984; p.58-59)*

Therefore, the educational experience in the museum is most often an individual learning process, where learning is often spontaneous (American Association of Museums, 1984).

In the non-museum world, the education literature has long grappled with the issue of measuring learning as a means of testing educational effectiveness (Bransford,



Brown and Cocking, 1999). Education-oriented literature indicates that criterion-referenced assessment of learning can take two forms: (1) formative assessment used primarily to improve teaching and learning, and (2) summative assessment measuring what learning has actually occurred (Bransford, Brown and Cocking, 1999; Seels and Richey, 1994). Self-assessment of learning as well as objective measures using pre- and post-testing are therefore used to evaluate learning. In

the case of the individual museum, therefore, assessment of educational performance would be tied to the individual and collective nature of the museum's collection.

Assessments, either by the museum professional or the visitor themselves would need to be made relative to the specific museum. This is confounded by the issue that because of the material that a visitor takes with them in the form of brochures, or books or tapes bought at the museum store, the learning process will take place at a variety of times after the museum has been visited. In fact, if the educational objects purchased at the museum shop are given as gifts, then the learning may take place even outside of the museum itself and by someone other than the museum visitor.

Therefore, when measuring the performance of the educational objectives, as implemented through the museum retail marketing strategy, measuring learning on the part of the individual visitor is not appropriate. Furthermore, it would be difficult to measure the visitor's learning from the museum store separate from the museum visit experience. Since it is very important to understand the implementation or execution of strategy (Kaplan and Norton, 2001), it is important to find a way to measure better that the museum has furthered its educational objectives through the strategy of the museum store. There is no literature that directly addresses this problem.

Consequently, measurement of the educational effectiveness of the retail museum strategy will involve scale development, and most likely of a subjective nature. Factors that play a role in the development of an educational scale include the level of interactivity with staff and or products available to customers in the retail store, the amount of time customers spend in the store, and the number of learning opportunities offered. Interactivity has been demonstrated as being an important characteristic of greater learning (Jonassen, 2000), as has the amount of time spent in a learning environment (Wager, 1988).

***Size:***

The museum retail marketing mix, whether financial or educational, and the outcomes of those strategies are sensitive to the size of the museum. In fact, it has been noted that the institutional characteristic of size, that is the size of the museum itself, size of the museum's visitation, and the size of the locale in which the museum is located can have an effect on the museum's marketing strategy (Ames, 1988; Hyde and Lovelock, 1980) and indeed on the overall mission of the museum (American Association of Museums, 1984). Because mission and strategy are usually linked with performance, it is also highly likely that performance will also be differentiated by size. Also, size has been shown to affect performance in nonprofit charity organizations (Feigenbaum, 1987). McLean (1993) proposed that the integration of marketing techniques would be less difficult at smaller museums than at larger museums. In fact, significant differences in funding situations, product offerings and target market have been related to the organizational size of arts organizations (Hyde and Lovelock, 1980). The Museum Stores Association found that the size of the institution, which was in some cases linked

to not only visitation but the size of the community in which the museum was located, both in square footage and in museum attendance differentiated between museums in terms of performance (1997). The museum attendance (or visitation) was also linked to community size (Museum Stores Association, 1997).

On a broader scale, it has been demonstrated that small firms in general:

*...show that (a) day-to-day improvisations and adaptations in strategy content and in the organization of marketing activities are central defining features of the implementation process; (b) the nature and extent of improvisations and adaptations ultimately determines the firm's market orientation, its rate of growth, and its strategic effectiveness; and (c) planning and implementation processes interact strongly, and their interaction – more than the intrinsic quality of either – shapes market behaviors of the firm and affect strategic outcomes* (Sahittal and Jassawalla, 2001: p. 50-51).

While business marketing strategy, implementation and performance are affected by size, small retailers have been shown to have distinctive competencies and therefore implement and perform strategically differently from large retailers (McGee and Love, 1999).

Beyond size, the age of the institution and the subject matter of the collection have been suggested as having significant impacts on results (Ames, 1991). In the retailing literature there is no indication that the age of the institution will have a significant effect on performance, and the issue is confounded by the matter of age of the store or age of the museum as having the effect, if any. As to the collection and its subject matter, no information exists that says how or why different subject matter of the collection will affect the performance of the museum store. However, the subject matter of the collection does affect the volume and type of visitors to the museum (Ames, 1991), which could have a significant impact on the performance. Because subject matter of the

museum's collection is linked to the visitation or size of the museum and the lack of substantive literature that indicates that the type of collection influences either the strategy or the performance of the museum store, subject matter will not be tested in this research.

### Summary

How does the intensity of the retail marketing mix toward education, financial, or a mixed objective influence performance? Is the pursuit of educational objectives a positive financial strategy? If a museum pursues only financial objectives through its museum store will educational objectives be unfulfilled?

First, it seems intuitively obvious that if a museum store has a retail marketing mix which reflects a strong financial intensity, their financial performance measures will be relatively strong compared with museum stores with less strong financial intensity manifested in their marketing mixes. Indeed, it has been shown that planning and strategic clarity are significantly related to marketing program effectiveness and financial performance in small retail firms (Conant and White, 1999). Therefore the following hypotheses are offered:

**H1: There is a positive and direct effect of a financial museum marketing strategy as manifested by the marketing mix on the financial performance of museum retailing.**

H1a: There is a positive and direct effect of a financial product strategy on the financial performance of a museum retailing.

H1b: There is a positive and direct effect of a financial price strategy on the financial performance of a museum retailing.

H1c: There is a positive and direct effect of a financial promotional strategy on the financial performance of a museum retailing.

H1d: There is a positive and direct effect of a financial place strategy on the financial performance of a museum retailing.

H1e: There is a positive and direct effect of a financial people strategy on the financial performance of a museum retailing.

H1f: There is a positive and direct effect of a financial physical evidence strategy on the financial performance of a museum retailing.

H1g: There is a positive and direct effect of a financial process strategy on the financial performance of a museum retailing.

Educational intensity is predicted to result in positive educational results, however it should also yield significant positive financial results as well as shown in Figure 2.

Educational intensity, which results in an educational oriented retail marketing strategy which offers a more unique product assortment, more customer driven pricing, an interactively trained sales force, and high identification with the museum through educational material and cues gains a distinctive marketing competency when compared to non-museum retailers. Distinctive marketing competencies are related to competitive advantage and positive financial performance (Conant, Smart and Solano-Mendez, 1993). In retailing, indications are that perceived value and store image positively influence purchase intentions (Grewal, Krishnan, Baker and Borin, 1998).

The unique set of attributes offered in the museum retail marketing mix when combined with the fact that the museum is supporting a good cause (the museum itself) gives the museum store a non-replicable competitive advantage and presumably a positive store image, which again should result in positive performance (Conant, Smart and Solano-Mendez, 1993). The evidence of the educational mission also makes the museum store experience part of the entire museum experience (Alexander, 1996). This

should drive a greater legitimacy for the museum store and help to develop a perception of customer trust in purchasing products. Therefore, the following hypotheses are proffered:

**H2: There is a positive and direct effect of an educational museum marketing strategy as manifested by the marketing mix on the financial performance of a museum retailer.**

H2a: There is a positive and direct effect of an educational product strategy on the financial performance of museum retailing.

H2b: There is a positive and direct effect of an educational price strategy on the financial performance of museum retailing.

H2c: There is a positive and direct effect of an educational promotional strategy on the financial performance of museum retailing.

H2d: There is a positive and direct effect of an educational people strategy on the financial performance of museum retailing.

H2e: There is a positive and direct effect of an educational physical evidence strategy on the financial performance of museum retailing.

H2f: There is a positive and direct effect of an educational process strategy on the financial performance of museum retailing.

**H3: There is a positive and direct effect of an educational museum marketing strategy as manifested by the marketing mix on the educational performance of a museum retailer.**

H3a: There is a positive and direct effect of an educational product strategy on the educational performance of museum retailing.

H3b: There is a positive and direct effect of an educational price strategy on the educational performance of museum retailing.

H3c: There is a positive and direct effect of an educational promotional strategy on the educational performance of museum retailing.

H3d: There is a positive and direct effect of an educational people strategy on the educational performance of museum retailing.

H3e: There is a positive and direct effect of an educational physical

evidence strategy on the educational performance of museum retailing.

H3f: There is a positive and direct effect of an educational process strategy on the educational performance of museum retailing.

In the end, for all nonprofits, be they museums or charities, and whatever strategy they choose, be it retailing or direct fund raising, the “bottom line” for a nonprofit organization is the mission. “Survival is meaningless if the mission is forgotten,” (Gallagher and Weinberg, 1991; p. 33). Therefore, lacking a mission driver to the strategies, the following hypotheses are offered:

**H4: There is a negative or ambiguous direct effect of a financial museum marketing strategy as manifested by the marketing mix on the educational performance of a museum retailer.**

H4a: There is a negative or ambiguous direct effect of a financial product strategy on the educational performance of a museum retailer.

H4b: There is a negative or ambiguous direct effect of a financial price strategy on the educational performance of a museum retailer.

H4c: There is a negative or ambiguous direct effect of a financial promotional strategy on the educational performance of a museum retailer.

H4d: There is a negative or ambiguous direct effect of a financial place strategy on the educational performance of a museum retailer.

H4e: There is a negative or ambiguous direct effect of a financial people strategy on the educational performance of a museum retailer.

H4f: There is a negative or ambiguous direct effect of a financial physical evidence strategy on the educational performance of a museum retailer.

H4g: There is a negative or ambiguous direct effect of a financial process strategy on the educational performance of a museum retailer.

# **STRATEGY IMPLEMENTATION EFFECTIVENESS IN A NONPROFIT ENVIRONMENT: THE CASE OF MUSEUM STORES**

## **CHAPTER III**

### **RESEARCH DESIGN AND METHODOLOGY**

The examination of the effectiveness of museum retail strategies is exploratory in nature. Therefore, much of the research methodology used to investigate the four hypotheses posited in Chapter II and represented in Figure 2 is centered around the measurement of the variables prior to analyzing the effects of these variables. Hence, this discussion of the research design and methodology begins with a description of variable measurement. The measurement of the marketing mix in terms of the various product, price, promotion, place, people, physical evidence and process as discussed in Chapter Two is detailed. The measurements of Financial Performance is determined through a synthesis of the literature review. Educational Performance indicators are developed based on the development of indicators found through an abbreviated scale development process (Churchill 1979).

Secondly, a plan for evaluating the relationships between the variables, as specified in the four hypotheses, is tested using a linear regression. If possible, the entire model will be examined to see if the of size of museums in terms of visitation as well as other demographic variables have an effect on the model. Following a description of these steps the population to be studied is identified and the steps taken in data collection are outlined. Issues regarding reliability and validity are also discussed in this Chapter.



## **Measurement of Variables**

The variables that have been identified as important to this research are based on the review of the literature discussed in Chapter II and include:

Variable I: Educational Museum Retail Marketing Strategy

Variable IA: Educational Product Strategy

Variable IB: Educational Price Strategy

Variable IC: Educational Promotion Strategy

Variable ID: Educational People Strategy

Variable IE: Educational Physical Evidence Strategy

Variable IF: Educational Process Strategy

Variable II: Financial Museum Retailing Marketing Strategy

Variable IIA: Financial Product Strategy

Variable IIB: Financial Price Strategy

Variable IIC: Financial Promotion Strategy

Variable IID: Financial Place Strategy

Variable IIE: Financial People Strategy

Variable IIF: Financial Physical Evidence Strategy

Variable IIG: Financial Process Strategy

Variable III: Museum Retail Financial Performance

Variable IV: Museum Retail Educational Performance

Variable V: Size and Other Demographic Variables

***Variable I: Educational Museum Retail Marketing Mix***

***Variable II: Financial Museum Retail Marketing Mix***

Educational and financial marketing mix strategies will be measured using the identifiers indicated by the literature and discussed in Chapter II and detailed in Table 2.1. A survey instrument (Appendix A) will be used to measure individual museum store's intensity of use of the various indicators. In all, there are 22 indicators of an educational museum retail marketing mix and 22 indicators of a financial museum retailing marketing mix that were identified by the literature. The indicators identified in Table 2.1 will be evaluated for each museum retailer using a 7-point Likert scale in a survey instrument (Hair, Bush and Ortinau 2000) (Appendix A).

***Variable III: Museum Retail Financial Performance***

Measurements that have been used to evaluate retail financial performance were discussed in Chapter II and recapped in Table 2.2. The following were identified as having an application to this research.

1. Gross Margin % to Sales
2. Operating Expense % to Sales
3. Net Profit (contribution) % to Sales
4. Inventory Turnover
5. Asset Turnover
6. Return on Assets
7. Sales per Square Foot
8. Sales per Museum Visitor

In order to achieve comparability between subjects these productivity measure are more desirable than sales or profits alone or sales or profit trends, which are highly dependent upon the size of the store, museum visitation, and operating expense variations. Operating expense variations further confound the ability to use any financial measures that include them in their formula because individual museum stores can be profoundly affected by the method of charging overhead to the museum store, or the volunteer or paid status of retail staff. Further, comparability is jeopardized by measures that include “total assets”. The assets that are charged to a museum store can be highly variable based on location, the sophistication of the accounting system, the depreciation written-off against the assets and the amount of assets that are not valued or are even “invaluable”.

Therefore, the following measurements have been identified as being more appropriate for evaluating the financial performance of museum retailers:

1. Sales per Square Foot
2. Sales per Museum Visitor
3. Gross Margin % to Sales
4. Inventory Turnover

“Sales per Square Foot” and “Sales per Museum Visitor” are both measured in Dollars.

However, “Gross Margin % to Sales” is obviously expressed as a percentage, and

“Inventory Turnover” is expressed as a ratio and is stated as number of turns per year.

Therefore, “Gross Margin Percentage to Sales” and “Inventory Turnover” as measures of retail financial performance make comparability difficult among the four measurements.

As noted in Chapter II, Kumar and Karande (2000), in a review of the literature on retail performance measures, evaluated the various financial performance measures that have been used in retail research in the past and concluded that “sales” and “sales per square foot” were most appropriate for forecasting retail performance. Since the study of the museum retailer is similarly focused on forecasting performance based on strategic choices the use of the “sales per square foot” measure is highly appropriate.

“Sales per museum visitor” is also stated in dollars, which makes it comparable, and is highly germane to this research. Museum store managerial literature indicates that it is used in the museum arena to evaluate the performance of museum stores (Theobald 2000; Ames 1991). Therefore, “sales per square foot” and “sales per visitor”, will be used to measure financial performance in museum stores.

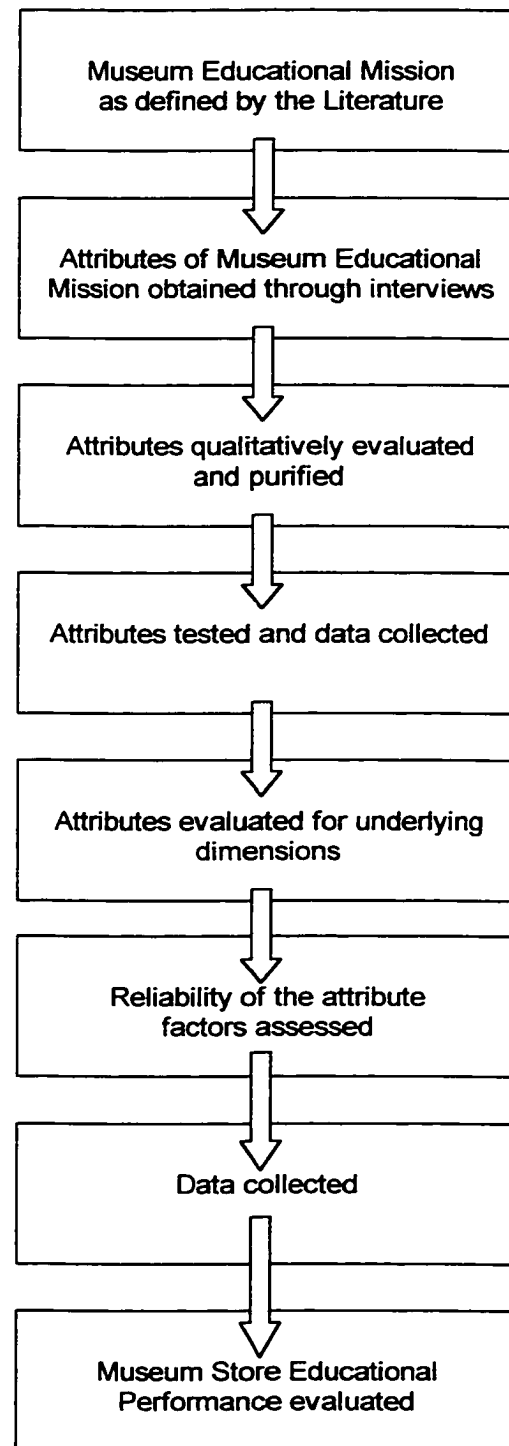
Because of the comparability of the two factors, and the common use of sales and its appropriateness, the final measure of Financial Performance will therefore be the residual for sales when regressed on square footage and the number of visitors.

***Variable IV: Museum Retail Educational Performance:***

As noted in Chapter II, the measurement of educational performance in the museum setting is subjective in nature. The American Association of Museums (1984) describes the educational mission of museums as: (1) Communicating the essence of ideas, (2) Impartation of knowledge, (3) Encouragement of curiosity, (4) Promotion and shaping of an esthetic and cultural sensibility, and (5) Synthesis and formation of ideas and opinions. Educational performance, whether it is realized in the context of the museum exhibit and collection itself, or through the museum store, should be the same.

However, there is no research that measures the educational performance of the museum or the museum store. Hence, the following procedure as shown in Figure 3 will be followed in order to define an educational performance measure for museum retailing. This procedure is based on Churchill's (1979) guidelines for scale development, although in an abbreviated format. The first step is to develop a pool of subjective measures of educational performance drawn from individual interviews with the managers of museum retailing organizations associated with large, well-established museums with a variety of subject matter and with an interview with a Museum Stores Administration board member and a consultant to museum retailers. Larger organizations that have well-established retail programs were selected because of their depth of experience in dealing with museum stores and museum issues in general. A representative of The Museums Stores Association, which includes a wide variety of museum retailers but has a preponderance of smaller museums, will also be interviewed in order to insure that views on educational performance measures that might be unique to smaller museums are accounted for in the list of attributes of Educational Performance. Additionally, a museum-retailing consultant will be interviewed because of the depth of experience in working primarily with smaller museum retailers. Appendix B provides a list of the museums and the interview questions asked.

**FIGURE 3: Procedure for Developing the Measure of Educational Performance in Museum Stores**



Based on the results of the interviews a list of attributes is developed and purified by analyzing the list for redundancies. It is anticipated that the list of attributes will be very subjective in nature. The resulting list of attributes were then be sent to a small group of qualitative evaluators along with the entire survey (Appendix A) for review and comments. After incorporating the qualitative evaluators comments into the survey, the revised survey was sent to a random sample of museums in the form of statements for evaluation using a Likert scale to measure the museum's degree of agreement or disagreement with each of the proposed educational performance statements based on the attributes. This was done as part of a pre-test of the survey as a whole (Appendix A). The results of this test of the attributes would then be examined using Exploratory Factor Analysis to determine if they have underlying dimensions. Assuming that the attributes can be reduced, the resulting factors would then serve as the indicators that would measure educational performance. These indicators would be included in the final Survey Instrument.

***Variable V: Size and other Demographic Variables***

The size of the museum, as noted in Chapter II, can be related to the number of visitors in a given time period, the size of the physical museum buildings and organization, and the size of the population surrounding the museum. It was noted that visitation was linked to the size of the community and the size of the museum itself (Museum Stores Association, 1997). Given the linkages demonstrated in the literature and ambiguities that are associated with determining the “surrounding population area”,

the measurement of size will be the actual number of visitors to the museum in the most recent year.

Other demographic variables have been noted in the literature as well, and will be evaluated in terms of any differences that may or may not be found in the model with respect to them. The variables to be examined are: category of museum, collection type, indoors/outdoors museum, admission charging vs. free, visitation profile, tourist destination, tourist region, metropolitan area, corporate support, museum age, governing authority type and other fund-raising venture types at the museum.

### **Evaluation of the Relationships Between Variables**

In order to test the relationships between the variables confirmatory factor analysis and path analysis will be used. The educational performance variable (which will presumably have multiple indicators) will be evaluated using confirmatory factor analysis. The financial performance indicator will be evaluated by means of a residual that will result from regressing sales on square footage and visitation.

Path analysis is based on a “series of regression-like equations (portrayed graphically in a path diagram) that can be estimated by determining the amount of correlation attributable to each effect in each equation simultaneously” (Hair, Anderson, Tatham and Black 1998: 582). Specifically, the following paths illustrated in Figure 2 or functional relationships will be examined with respect to the hypotheses:

- H1a: Financial Performance =  $f$  (Financial Product Strategy + Error Term)
- H1b: Financial Performance =  $f$  (Financial Price Strategy + Error Term)
- H1c: Financial Performance =  $f$ (Financial Promotional Strategy + Error Term)
- H1d: Financial Performance =  $f$ (Financial Place Strategy + Error Term)
- H1e: Financial Performance =  $f$ (Financial People Strategy + Error Term)
- H1f: Financial Performance =  $f$ (Financial Physical Evidence Strategy + Error Term)



- H1g: Financial Performance =  $f(\text{Financial Process Strategy} + \text{Error Term})$   
H2a: Financial Performance =  $f(\text{Educational Product Strategy} + \text{Error Term})$   
H2b: Financial Performance =  $f(\text{Educational Price Strategy} + \text{Error Term})$   
H2c: Financial Performance =  $f(\text{Educational Promotional Strategy} + \text{Error Term})$   
H2d: Financial Performance =  $f(\text{Educational People Strategy} + \text{Error Term})$   
H2e: Financial Performance =  $f(\text{Educational Physical Evidence Strategy} + \text{Error Term})$   
H2f: Financial Performance =  $f(\text{Educational Process Strategy} + \text{Error Term})$   
H3a: Educational Performance =  $f(\text{Educational Product Strategy} + \text{Error Term})$   
H3b: Educational Performance =  $f(\text{Educational Price Strategy} + \text{Error Term})$   
H3c: Educational Performance =  $f(\text{Educational Promotional Strategy} + \text{Error Term})$   
H3d: Educational Performance =  $f(\text{Educational People Strategy} + \text{Error Term})$   
H3e: Educational Performance =  $f(\text{Educational Physical Evidence Strategy} + \text{Error Term})$   
H3f: Educational Performance =  $f(\text{Educational Process Strategy} + \text{Error Term})$   
H4a: Educational Performance =  $f(\text{Financial Product Strategy} + \text{Error Term})$   
H4a: Educational Performance =  $f(\text{Financial Price Strategy} + \text{Error Term})$   
H4a: Educational Performance =  $f(\text{Financial Promotional Strategy} + \text{Error Term})$   
H4a: Educational Performance =  $f(\text{Financial Place Strategy} + \text{Error Term})$   
H4a: Educational Performance =  $f(\text{Financial People Strategy} + \text{Error Term})$   
H4a: Educational Performance =  $f(\text{Financial Physical Evidence} + \text{Error Term})$   
H4a: Educational Performance =  $f(\text{Financial Process Strategy} + \text{Error Term})$

The coefficients of the Educational and Financial Factors in the H1a through H1g, H2a through H2f, and H3a through H3f should be positive and statistically significant while the coefficient of the fourth hypothesis should be either negative and statistically significant or positive and statistically insignificant.

Finally, museum sizes will be broken into groupings based upon “break-points” observed in the distribution of museum sizes as measured by visitation. The entire model will be retested for each of the size groups to determine if size affects the path effects outlined above.

## **The Population for the Study**

In order to analyze the educational and financial marketing strategies of museum stores on their educational and financial performance, data will be collected from museum stores in the United States. In order to obtain a representative sample a list of all museum stores found in *The Official Museum Directory* (American Association of Museums, 2001) will be used. This volume lists all museums in the United States and is not membership dependent. Museums that were not open to the public except by appointment, museums that were operated for profit or a subsidiary of a for-profit organization without non-profit status were eliminated from the list. All museums listed in the volume were sorted by size from largest to smallest. In all, there were 7,962 museums. A stratified random sample was then be selected by choosing every tenth museum, which should yield a list of approximately 800 names. In order to test the model using path analysis the sample size needs to exceed 100 and be under 400-500 according to Kline (1998). Therefore, the 800 museums in the sample will be phoned to determine if they have a retail operation and then the name of the retail operations or museum store manager, who will be the key informant. At the time of the call, a request to fax or mail the survey will be made once the informant has agreed to fill out the survey. Full participation is not anticipated.

In order to determine if there is non-response bias or not the first quarter of the completed surveys will be compared to the last quarter of the completed surveys. If no significant difference is found in the data then no correction for non-response bias will be made.

A preliminary investigation of museums with respect to their identification by collection type and category was performed in order to evaluate if a systematic random sample would be an appropriate sampling technique. It was found that when the museums self-reported their category type and their collection type they reported themselves in multiple categories. Of approximately 9000 museums there were 23,012 reports of what category represented them best (Table 3.1) and 46,504 reports of what they had in their collections (Table 3.2). The number of reports of collection types exceeded the number of possible alternatives ( $4 \times 9000 = 36,000$ ) due to the fact that museums could report sub-categories of collections within each collection grouping. Based on these findings it was not possible to tie these descriptive parameters of collection or category to a need to stratify the sample for any other reason than size.

**TABLE 3.1: Museums by Category as Self-Reported in *The Official Museum Directory* (American Association of Museums 2000)**

<b>CATEGORY</b>	<b>NUMBER</b>	<b>PERCENT</b>
Art	2333	10.1%
Children's	408	1.8%
Colleges/Universities	634	2.8%
Company	36	.2%
Exhibit Areas	263	1.1%
General	1139	4.9%
History	10853	47.2%
Libraries w/ Books	182	.8%
Libraries 2/ other than Books	240	1.0%
National/State Agencies	142	.6%
Nature Centers	338	1.5%
Parks	579	2.5%
Science	3074	13.4%
Specialized	2791	12.1%
<b>TOTAL</b>	<b>23012</b>	<b>100.0%</b>

**TABLE 3.2: Museums by Collection as Self Reported in *The Official Museum Directory* (American Association of Museums 2000)**

<b>COLLECTION</b>	<b>NUMBER</b>	<b>PERCENT</b>
Anthropological/Archaeological	3674	7.9%
Art	17295	37.2%
Historical	21804	46.9%
Natural	3731	8.0%
<b>TOTAL</b>	<b>46504</b>	<b>100.0%</b>

Preliminary examination of the size of museums based on their visitation (random sample of 278 sites) revealed that the size of the museum is highly skewed toward small size visitations. people. The sample size must be large enough to insure that large sized museums are represented proportionately, but do not become outliers. Therefore, the stratified random sample technique outlined above will be used.

The list of museums was also screened to determine if there were other variables that indicated anomalies in the sample. The presence of a Director, Curator, or Educational Officer was reviewed. In all cases in a random sample of 278 museums there was such a designated person. Interestingly, in 6 cases the director of the museum was also the retail manager. While there was a significant correlation of the presence of a museum store with visitation ( $p=.014$ ) the correlation was not large (Table 3.3). All members of the sample also reported that their organizations were non-profit. However, the data did not disclose if the retail store or outlet was solely run by the museum, was a leased arrangement, or was true museum store or not. Pre-screening of museums will need to occur in order to verify that the stores in the final sample are museum stores and are not for-profit in their organization.

**TABLE 3.3: Preliminary Examination of Museum Visitation, Retail Activity, Shop Manager as Key Personnel and Staff Levels**

	Visitation	Retail Activity	Shop Manager	Paid Staff	Volunteers
Visitation	1.000	.131*	.031	.484*	.800*
Retail Activity		1.000	.690*	.171*	.162*
Shop Manager			1.000	.196*	.117*
Paid Staff				1.000	.602*
Volunteers					1.000
Significant at the .05 level					
Adjusted R-square - .642					
N=278					

While the literature reviewed in Chapter II implies that museum stores are all “owned and operated” by the museums themselves, in fact, some museum stores as well as museum dining and even hotel operations are leased operations, or are separate, for-profit companies. The Colonial Williamsburg Foundation’s relationship with the Colonial Williamsburg Hotel Properties, Inc. is an example of such an arrangement. While the Colonial Williamsburg Foundation embodies the nonprofit museum as well as its museum stores in the form of Historic Area Stores and Craft Houses, the Colonial Williamsburg Hotel Properties, Inc. operates four hotels and numerous dining facilities as a “for-profit” organization. “For-profit” stores are housed in these hotels and rent space from the hotels. Taxes are paid on the proceeds from these stores, dining facilities and hotel properties. Since this study is investigating museum stores that are owned and operated by museums and are part of the non-profit museum organization, the survey will screen all museums for the relationship between the museum and the museum store.

## **The Data Collection Process**

The Survey Instrument was in the form of a questionnaire (Appendix A). It was qualitatively evaluated by a small group of museum store professionals prior to being mailed and/or faxed out for a pre-test. One of the professionals had over 20 years experience managing multiple museum retail stores and has served as a consultant to museum retailers. Another professional had over 15 years of experience in the museum and museum retailing management field. Finally, a museum executive officer with over 35 years experience with a major mid-Atlantic museum and a museum consultant to numerous American and international museums reviewed the survey. The qualitative evaluators provided feedback in terms of clarity of the questions and the ability of museum store managers to respond to the survey and any specific problems they saw with respect to the respondents being able to understand and complete the questionnaire. Minor revisions were made as needed.

The pretest was sent to 89 museums. The list of museums was selected from the Association of American Museums (2001) directory after it was sorted by size from largest to smallest. Totally, there were 7,101 museums that had reported visitation, plus 771 with no reported visitation. Every 89<sup>th</sup> museum was chosen starting with the 54<sup>th</sup> site. The 54<sup>th</sup> site was chosen from a Random Digits Table (Smith 1991).

Pretesting should be done methodically (Hunt, Sparkman and Wilcox 1982). In this case the purpose was to examine how well the questionnaire was understood and if it made sense to a wide variety of respondents. Additionally, an indication of response levels would be used to build the final sample. Each one of the respondents was pre-notified by telephone prior to receiving the survey by fax or mail. No problem questions

or sensitive areas were uncovered as a result of the pretest. Qualitative information regarding such things as the length of time it took to fill out the survey was solicited. The pre-test responses indicated a response rate of 22.5% after 3 weeks.

The final questionnaire was then be sent to the final sample as outlined previously. A telephone call made prior to faxing or mailing the survey verified and/or identified the name of the “key informant”. The survey was addressed to that “key informant” who most often was the retail manager at each museum that is in the sample.

### **Reliability and Validity**

Reliability will be evaluated through investigating the internal consistency in the establishment of the measurement of the Educational Performance Variable. The educational performance indicators will be evaluated using Cronbach’s alpha to test for internal consistency (Hair et al. 1998; Churchill and Peter 1984; Carmines and Zeller 1979). Reliability in terms of internal consistency as measured by the Cronbach alpha should exceed .60 according to Hair (1998) because this is exploratory research.

Rater reporting of data reliability will be tested by comparing the reported visitation by the museum stores against the visitation as reported by the Directory of the American Association of Museums (2000).

Validity of this research, in terms of content, construct and criterion validity (Carmines and Zeller 1979), is based on the literature as reviewed in Chapter II. However, in the case of scale development convergent and discriminant validity (Hair et al. 1998) are considered important as well. However, since no similar scales exist for educational performance or educational or financial factors of a retail marketing mix, it is

not possible to measure the degree of correlation with existing scales as recommended by Hair et al. (1998).



# STRATEGY IMPLEMENTATION EFFECTIVENESS IN A NONPROFIT ENVIRONMENT: THE CASE OF MUSEUM STORES

## CHAPTER IV RESULTS OF THE STUDY

### Response Rate

The total number of nonprofit museums in the United States at the beginning of 2001 was 7,962 (American Association of Museums 2001). These museums were sorted by reported visitation. Of that list a random sample of 1,593 was extracted. The sample was then qualified by phone or by letter accompanied by a survey for the presence of a museum store or museum retailing activities. The qualification of sites resulted in a total of 751 museums (47.1% of the sample) that qualified for the study. Of the qualified sample, 156 surveys were completed and returned, yielding a response rate of 20.7%.

This level of response is indicative of a representative sample. The qualification process indicated that a maximum of 47.1% of museums in America have museum stores or museum retailing activities. Therefore, if 47.1% of the museums have some sort of museum retailing, then a maximum of 3,742 museum retailing sites exist in the United States. Hence, this study captured data from 4.2% of the estimated maximum population.

An evaluation of visitation frequency was conducted to examine if the sample was representative. However, it had been observed that as the reported visitation grew smaller the presence of museum stores and retailing activities declined. There were 163 museums (10.2% of the sample) that reported no visitation at all and all of these had no museum store. Frequency of visitation reported in quartiles was analyzed and compared

between the entire population of all museums, the 751 qualified museums and the 156 responding museums. The results are posted in Table 4.1.

**Table 4.1: Visitation Analysis Comparing Reported Results, Sample and Population**

<b>Quartile</b>	<b>Qualified Museums (751) Visitation</b>	<b>Responding - Sample (156) Visitation</b>	<b>All Museums (7,962) Visitation</b>
Quartile 1: 0-25%	0-8999	0-9999	0-19999
Quartile 2: 25-50%	9000-24739	10000-30930	2000-11999
Quartile 3: 50-75%	24740-93999	30931-100000	12000-49999
Quartile 4: 75-100%	94000 plus	100000 plus	50000 plus

The museums included in the final responding sample (156) as well as the museums that were qualified with respect to the presence of a museum store or retailing activity (751) had no cases of zero visitation as compared with the entire museum population (7962). This causes the quartiles to be substantially different between the population and the two other categories. The slight difference between the qualified list (751) and the responding sample (156) may be explained by the fact that the qualified museum visitation source is the American Association of Museums (2001) which is reporting the last known year of visitation prior to publication of the listing. The actual results are self-reported for the last fiscal year. It is highly likely that the two years are different. The American Association of Museums (2001) does not specify the actual year.

Rater reliability was examined by comparing the reported visitation on the surveys with the reported visitation in the American Association of Museums (2001) listing. Internal reliability between the two reported visitations had an alpha statistic of .9629, which indicates a high degree of internal rater reliability (Carmines and Zeller 1979).

## Sample Characteristics

In the process of collecting data that specifically addressed the hypotheses being tested the survey instrument also collected data that was more demographic in nature. This was collected in order to further examine additional research questions in the future and to potentially shed some insights into the museum retailing phenomenon. Both statistics collected as part of the study (Visitation, Net Sales and Square Footage) as well general other demographic data that were collected are displayed in Table 4.2 and Table 4.3.

**Table 4.2: Reporting Museums - Demographic Data**

<b>Description</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>St.Dev.</b>
Visitation	175	3,250,000	142,693.03	365,789.23
Store sales	250	5,396,245	374,957.90	898,384.17
Store square footage	5	14,000	1,016.38	2,011.95
Age of museum in years	≤ 0	201	41.92	32.77
Number of stores associated with the museum	1	7	1.26	.85

**Table 4.3: Reporting Museums – Demographic Data by Percent to Total**

<b>Description</b>	<b>% of Museums with feature</b>	<b>% of Museums without feature</b>
Direct mail program	16.7%	83.3%
Active internet site	23.1%	76.9%
Seasonal kiosks	10.3%	89.7%
Licensing program	10.3%	89.7%
Near a major metropolitan area	23.2%	79.8%
Near a tourist destination	56.3%	43.7%
Museum is a destination in itself	39.1%	60.3%
Corporate sponsorship present	51.0%	49.0%
Food service available	17.0%	83.0%
Site rental activity	37.9%	62.1%
Other business activity	10.5%	89.5%
Museum employees involved with shop management	74.7%	25.3%
Museum volunteers involved with shop management	28.6%	71.4%

Other demographic data that was collected indicated that 53% of the museums were historical in nature when compared with 12 other categories of museums. 70% of the museums were indoors, while 17% were outdoors and 13% were a mix of both. Most of the museums charged admission (58%) while 33 % did not charge admission, and 9% asked for donations. Education ranked as the most important reason most people visited museums followed respectively by entertainment, recreation and social reasons.

Museum store managers average salary was most commonly \$20,000-\$29,999 annually and 80% of the managers were women. They averaged 10.8 years of retail experience, 7.7 years of museum experience and 7.3 years of museum store experience.

### **Preparation of the Data**

Missing Data: All museums in the reporting sample reported visitation. However, 10 of the museums did not report their sales because of proprietary concerns. An additional 4 museums did not report their square footage. Despite attempts via telephone calls to acquire this information the museums were either unwilling or in a few cases unable to furnish the needed information. No museums in the reporting sample failed to give both sales and square footage. Regressions were performed with: (1) the cases that had missing sales or square footage not included in the sample, and (2) with the missing data transformed to means. Square footage and visitation were regressed on sales. The results of the two analyses can be seen in Table 4.4.

**Table 4.4: Comparison of Missing Data Techniques**

<b>Statistic</b>	<b>Sample with missing data not included</b>	<b>Sample with missing data transformed to mean</b>	<b>Difference</b>
Total degrees of freedom	140	156	+16
Adjusted R square	.558	.551	-.007
F statistic	89.223	96.066	+6.843
Significance	.000	.000	-
Predicted Value Mean	371,142.52	374,957.90	+3815.38
SE of Predicted Value	70,327.199	64,202.787	-6124.412
Adjusted Predicted Value	385,817.78	387,117.4	+1229.62

Given the fact that there was no appreciable difference between the two adjusted  $R^2$  it was determined that the financial dependent variable was MCAR and therefore the missing data could be transformed (Hair et al. 1998). Substituting the mean for those cases with missing values was used in those regressions involving the financial dependent variable.

There were no missing values in the educational dependent variable that resulted from the factor analysis of the 12 educational measures of educational performance.

Comparability: The fact that not all museums were open every month of the year posed a potential comparability question. For example, if museums open only 4 months of the year were hypothetically open 12 months, would their sales and productivity change?

The question would then arise as to whether the sample should be either limited to only those museums who are open 12 months per year or if those who have less than a full year of operation should have their reported sales and visitations adjusted accordingly.

Data reporting the number of months the museum was open to the public was gathered in the survey. The following table (4.5) displays the frequencies related to the number of months that the respondents were open:

**Table 4.5: Number of Months Sample Museums Open to the Public**

<b>No. of Months</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
4	3	1.9%	1.9%
6	8	5.1%	7.1%
7	3	1.9%	9.0%
8	2	1.3%	10.3%
9	7	4.5%	14.7%
10	5	3.2%	17.9%
11	7	4.5%	22.4%
12	121	77.4%	100.0%
<b>Total</b>	<b>156</b>	<b>100.0%</b>	

The only precedent for limiting a study to museums based on the number of months that the museum is open was conducted by the Museum Stores Association (Museum Stores Association 1997). The purpose of the Museum Stores Association study was to generate a fairly broad range of statistics against which museum stores then could compare their own performance in financial terms. The study limited the reporting museum stores to those whose museums were open only 11 or 12 months per year. For the purpose of the Museum Stores Association study, the limitation to nearly or full years of being open was appropriate.

According to anecdotal evidence, seasonality plays a role in museum visitation. Some museums are sensitive to summer tourism. Others are similarly affected by annual school group visitation in the Spring months. There is no tested method for seasonally adjusting museum figures that would be fair and representative. Climate, tourist seasons and resource restrictions affect museum visitation and the availability of staff.

Because this research is intended to be a representative report of museum retailing and stores in America, no adjustments to the figures was made and all reporting museums were included in the study. This is also supported by the fact that no seasonally affected

“raw data”, i.e. sales or visitation are being used as a variable. Rather, transformed data such as sales per square foot is being used in the analysis.

Extreme Values: In examining the residual of the financial dependent variable there were 4 cases that met the characteristics of outliers with respect to the dependent variable after the first iteration of the regression analysis. Another 3 cases extreme values appeared on the second iteration when the first 4 cases had been removed. All 7 cases were removed from the analysis of the residual of sales when regressed on visitation and square footage. However, as will be discussed, the residual data that resulted was not a meaningful measure of financial performance. In subsequent analysis no extreme values were found and therefore no data was eliminated.

Non-Response Bias: In order to determine if there was any bias in the respondents between those who responded early and those who responded later a One Way ANOVA was examined between the 25 earliest and the 25 latest respondents with respect to some of the key variables. There was no significant difference found with respect to any of the variables as shown in Table 4.6.

**Table 4.6:** ANOVA results for early and late survey respondents

Variable	F Statistic	Sig.
Visitation	.977	.328
Net Sales	1.474	.231
Square Feet	1.740	.193
Category of Museum	.759	.388
Museum Collection	.029	.865
Admission Charged	.635	.429
Museum Age	.006	.941

Financial Performance Variable: Financial performance was to be measured by regressing the reported data for Visitation and Square Footage against Net Sales and determining the residual on a case basis. Interaction between Square Footage and

Visitation was observed during this analysis and determined to be significant at  $p \leq .000$  and was therefore included in the regression. Overall, Visitation, Square Footage and the Interaction Variable (Square Footage x Visitation) explained 89.6% of the variance (adjusted R square). The results are shown in Table 4.7

**Table 4.7:** Visitation and Square Footage as predictors of Sales

<b>Description</b>	<b>Coefficient</b>	<b>Significance</b>
Constant	-11889.79	.686
Visitation	-6.955E-02	.627
Square Footage	156.223	.000
Visitation * Square Footage	6.112E-04	.000

Because square footage alone explained 53.2% of the variance in Sales, and further that the visitation variable caused very high violation of normality that could only be reduced through substantial removal of extreme values, it was decided to proceed with the evaluation using the traditional measure of retail financial performance of sales per square foot (Kumar and Karande 2000). This measure also demonstrated a peaked kurtosis but it could be successfully logged and therefore all data could be used in further analysis.

Educational Performance Variable: The 12 indicators of educational performance were reduced to one dimension after analyzing the data using principal component analysis and then developing a summated scale (component score measure). Exploratory factor analysis indicated that one component explained 59.24% of the variance, with an initial Eigenvalue of 7.109. The remaining 11 components all had eigenvalues less than 1 as shown in Table 4.8.



**Table 4.8: Indicators of Educational Performance – Factor Analysis Results**

<b>Component</b>	<b>Eigenvalue</b>	<b>% of Variance</b>	<b>Cumulative % of Variance</b>
1	7.109	59.320	59.320
2	.966	8.029	67.349
3	.814	6.758	74.107
4	.625	5.207	79.315
5	.474	3.926	83.241
6	.408	3.394	86.635
7	.382	3.180	89.814
8	.367	3.054	92.858
9	.291	2.441	95.299
10	.239	1.989	97.288
11	.182	1.515	98.803
12	.144	1.197	100.000

Given that one component (variable) accounted for a majority of the variance, the data was reanalyzed by progressively removing the weakest variable. At the same time the data was analyzed for its reliability (internal consistency) by examining the Cronbach's alpha statistic at each level. Even with the removal of the weakest variable, the data continued to load entirely on one factor. The results are shown in Table 4.9.

**Table 4.9: Internal Consistency and % of Variance explained by Components of Educational Performance**

<b>No. of Components in the Factor</b>	<b>Reliability (Alpha)</b>	<b>% of Variance explained by first component</b>
12	.9362	59.320
11	.9371	61.954
10	.9332	62.986
9	.9307	64.859
8	.9271	66.599
7	.9232	68.786
6	.9168	70.951
5	.9108	74.047
4	.9048	78.030
3	.8886	81.955
2	.8532	87.278

Given the consistency of loading on one factor and the high levels of internal reliability as measured by the Cronbach alpha scores, a Composite variable (Summated Scale) was

developed by adding the scores of all 12 components together to form the variable measuring Educational Performance.

### **Hypotheses Testing:**

**H1: There is a positive and direct effect of a financial museum marketing strategy as manifested by the marketing mix on the financial performance of museum retailing.**

Hypothesis 1 was supported when the entire model was tested by regressing all of the 23 independent indicators of financial museum marketing strategy onto the dependent variable of the log of sales per square foot. The variables that had been identified by the literature explained 26.0% of the variance with a significance of  $p \leq .000$ .

Because the sample displayed a wide variation in size an analysis of the data when broken into size groupings would have been appropriate. However, with a median value of visitation (the indicator of museum size) at 25,000 while the mean value of visitation was 145,000, the split samples became too small for meaningful analysis (Tabachnik and Fidell 1996).

Specific factors that were significant with respect to the sub-hypotheses were supported or not as shown in Table 4.10.

**Table 4.10:** Sub-Hypotheses 1a through 1g results

Sub-Hypotheses	Description	Unstandardized Coefficient	Pearson Correlation w/ Financial Performance
	Constant	<b>4.033*</b>	
H1a: Financial product strategies positively affect financial performance	High degree of variety in product assortment	7.864E-02	<b>.239**</b>
H1a: Financial product strategies positively affect financial performance	High degree of souvenirs in product assortment	-1.305E-02	-.057
H1a: Financial product strategies positively affect financial performance	High degree of customized private label in product assortment	<b>.136**</b>	<b>.251**</b>
H1b: Financial price strategies positively affect financial performance	High/low pricing practiced frequently	<b>-.136**</b>	<b>-.171**</b>
H1b: Financial price strategies positively affect financial performance	Old and new prices are shown on signs (High/low pricing)	6.395E-02	<b>.234**</b>
H1b: Financial price strategies positively affect financial performance	Discounts given taken into account in markup calculations.	<b>-7.785E-02***</b>	-.093
H1b: Financial price strategies positively affect financial performance	Slow sellers marked down promptly (permanent markdowns)	-6.868E-03	.070
H1b: Financial price strategies positively affect financial performance	Set markups are used throughout store	-3.960E-02	.091
H1b: Financial price strategies positively affect financial performance	Keystone or more markups throughout store except for books	6.436E-02	<b>.290*</b>
H1b: Financial price strategies positively affect financial performance	Comparison to competitive prices considered in pricing	6.646E-03	<b>.140**</b>
H1c: Financial promotional strategies positively affect financial performance	Special activities held to increase store visitation	-7.490E-02	.043
H1c: Financial promotional strategies positively affect financial performance	Special activities during peak visitation periods	2.433E-02	.045
H1d: Financial place strategies positively affect financial performance	External store sites away from the museum	1.124E-02	<b>.158**</b>
H1d: Financial place strategies positively affect financial performance	Store is near to museum entrance and/or exit	-4.109E-03	-.004
H1e: Financial people strategies positively affect financial performance	Store management rewarded for financial performance	6.123E-02	<b>.170**</b>
H1e: Financial people strategies positively affect financial performance	Staff has selling skills training	<b>9.778E-02***</b>	<b>.278*</b>
H1e: Financial people strategies positively affect	Store management. with professional retail		

financial performance	business experience or training	.117**	.411*
H1f: Financial <b>physical evidence</b> strategies positively affect financial performance	High portion of museum space devoted to the store	-.105***	-.025
H1f: Financial <b>physical evidence</b> strategies positively affect financial performance	Store designed for maximum shopping convenience	-9.319E-02***	-.041
H1g: Financial <b>process</b> strategies positively affect financial performance	Fully implemented point of sale system	9.836E-02**	.253**
H1g: Financial <b>process</b> strategies positively affect financial performance	Formal market research is used to improve financial performance	-2.496E-02	.129***
H1g: Financial <b>process</b> strategies positively affect financial performance	Store open longer hours than the museum	1.973E-02	.135**
H1g: Financial <b>process</b> strategies positively affect financial performance	Store mentioned as a shopping opportunity to museum visitors	-5.252E-02	.027

\* Significant at  $p \leq .001$

\*\* Significant at  $p \leq .05$

\*\*\* Significant at  $p \leq .10$

In terms of predictive ability, only 3 of the indicators of financial performance indicated in the sub-hypotheses had a significant positive effect on financial performance and they were very small as noted in Table 4.10. Indeed, 4 of the indicators had very small, significant and negative predictive ability in terms of predicting financial performance. However, 12 of the 23 indicators had a significant and positive correlation with financial performance. Only 1 of the indicators had a significant negative correlation with financial performance.

**H2: There is a positive and direct effect of an educational museum marketing strategy as manifested by the marketing mix on the financial performance of a museum retailer.**

This hypothesis was modestly supported when the financial performance dependent variable (log of sales/square footage) was regressed on the 20 identified indicators of an educational strategy. These indicators predicted 15.4% of the variance in financial performance ( $p \leq .002$ ). Examination of the significant predictive ability of financial performance on the part of specific indicators, as hypothesized in sub-

hypotheses 2a through 2f reveals that there is significant positive predictive ability for the constant term and only 1 small significant positive indicator and 3 significant small negative indicators. However, 6 of the indicators have a positive and significant correlation with financial performance and 4 have a negative and significant correlation with financial performance. The specific values and their level of significance are detailed in Table 4.11

**Table 4.11:** Sub-Hypotheses 2a through 2f results

Sub-Hypotheses	Description	Unstandardized Coefficient	Pearson Correlation w/ Financial Performance
	Constant	<b>4.945*</b>	
H2a: Educational <b>product</b> strategies positively affect financial performance	High degree of reproductions in product assortment	3.032E-02	<b>.139**</b>
H2a: Educational <b>product</b> strategies positively affect financial performance	Very limited assortment of products	<b>-.139**</b>	<b>-.284*</b>
H2a: Educational <b>product</b> strategies positively affect financial performance	High degree of relatedness of products to the museum collection	<b>.126***</b>	<b>.168**</b>
H2a: Educational <b>product</b> strategies positively affect financial performance	Unique product assortment because it is based on museum's collection	.062	<b>.125***</b>
H2b: Educational <b>price</b> strategies positively affect financial performance	Demand pricing based on customers are willing to pay	-1.025E-02	-.048
H2b: Educational <b>price</b> strategies positively affect financial performance	Lower (minimal) markups used	-5.129E-02	<b>-.155**</b>
H2c: Educational <b>promotional</b> strategies positively affect financial performance	Educational descriptions and copy are important parts of signs and literature	2.442E-02	<b>.112***</b>
H2d: Educational <b>people</b> strategies positively affect financial performance	Staff has interpretive training and talk knowledgably regarding museum collection	-4.848E-03	-.008
H2d: Educational <b>people</b> strategies positively affect financial performance	Knowledge about the museum collection is considered in hiring	-2.174E-02	.003
H2d: Educational <b>people</b> strategies positively affect financial performance	Store management has professional museum training	-2.619E-02	-.031

H2d: Educational <b>people</b> strategies positively affect financial performance	Store staff evaluated on knowledge of museum collection	.103	.059
H2d: Educational <b>people</b> strategies positively affect financial performance	Store staff evaluated on ability to talk about the collection with visitors	-.119***	-.075
H2e: Educational <b>physical evidence</b> strategies positively affect financial performance	Curators or educational staff had input into the design of the store	-.114**	-.325*
H2e: Educational <b>physical evidence</b> strategies positively affect financial performance	General atmosphere of the store reflects the nature of the museum's collection	1.996E-02	.059
H2e: Educational <b>physical evidence</b> strategies positively affect financial performance	Bags, gift boxes, product tags and/or similar supplies highly related to the museum's collection	6.104E-02	.122***
H2f: Educational <b>process</b> strategies positively affect financial performance	There are educational or interpretive demonstrations in the store	5.815E-02	.120***
H2f: Educational <b>process</b> strategies positively affect financial performance	Educational literature or similar material is given out with purchases	2.699E-02	.079
H2f: Educational <b>process</b> strategies positively affect financial performance	Museum curators or educational staff are involved with new product development	-6.988E-02	-.125***
H2f: Educational <b>process</b> strategies positively affect financial performance	Museum store is mentioned as an educational opportunity to museum visitors	-3.469E-02	-.043
H2f: Educational <b>process</b> strategies positively affect financial performance	Formal research takes place to evaluate educational performance of the store	4.196E-02	.054

\* Significant at  $p \leq .001$

\*\* Significant at  $p \leq .05$

\*\*\* Significant at  $p \leq .10$

**H3: There is a positive and direct effect of an educational museum marketing strategy as manifested by the marketing mix on the educational performance of a museum retailer.**

This hypothesis was supported by the data. Results are shown in Table 4.13. The composite variable of educational performance was regressed on the individual educational museum marketing strategy indicators. The indicators explained 62.8% of the variance ( $p \leq .000$ ).

Sub-Hypotheses 3a through 3f were supported somewhat by the 6 significant positive coefficients and the positive constant value and supported more strongly by the

16 positive and significant correlations between the educational indicators and educational performance. There was only 1 negative coefficient and 1 negative correlation for the same educational strategy indicator. Specifics related to the significance of the sub-hypotheses of individual marketing strategies are displayed in Table 4.12.

**Table 4.12:** Sub-hypotheses 3a through 3f results

Sub-Hypotheses	Description	Unstandardized Coefficient	Pearson Correlation w/ Educational Performance
	Constant	16.059*	
H3a: Educational <b>product</b> strategies positively affect educational performance	High degree of reproductions in product assortment	-.796	.195**
H3a: Educational <b>product</b> strategies positively affect educational performance	Very limited assortment of products	-.955**	-.169**
H3a: Educational <b>product</b> strategies positively affect educational performance	High degree of relatedness of products to the museum collection	1.531*	.502*
H3a: Educational <b>product</b> strategies positively affect educational performance	Unique product assortment because it is based on museum's collection	.937***	.435*
H3b: Educational <b>price</b> strategies positively affect educational performance	Demand pricing based on customers are willing to pay	5.382E-02	-.111***
H3b: Educational <b>price</b> strategies positively affect educational performance	Lower (minimal) markups used	-.489	-.050
H3c: Educational <b>promotional</b> strategies positively affect educational performance	Educational descriptions and copy are important parts of signs and literature	.712	.482*
H3d: Educational <b>people</b> strategies positively affect educational performance	Staff has interpretive training and talk knowledgably about museum collection	1.216**	.419**
H3d: Educational <b>people</b> strategies positively affect educational performance	Knowledge about the museum collection is considered in hiring	-4.699E-02	.249*
H3d: Educational <b>people</b> strategies positively affect educational performance	Store management has professional museum training	.440	.303*
H3d: Educational <b>people</b>	Store staff evaluated on		

strategies positively affect educational performance	knowledge of museum collection	-.283	<b>.281*</b>
H3d: Educational <b>people</b> strategies positively affect educational performance	Store staff evaluated on ability to talk about the collection with visitors	.471	<b>.342*</b>
H3e: Educational <b>physical evidence</b> strategies positively affect educational performance	Curators or educational staff had input into the design of the store	-.609	.003
H3e: Educational <b>physical evidence</b> strategies positively affect educational performance	General atmosphere of the store reflects the nature of the museum's collection	<b>1.270**</b>	<b>.549*</b>
H3e: Educational <b>physical evidence</b> strategies positively affect educational performance	Bags, gift boxes, product tags and/or similar supplies highly related to the museum's collection	.254	<b>.232**</b>
H3f: Educational <b>process</b> strategies positively affect educational performance	There are educational or interpretive demonstrations in the store	<b>.940**</b>	<b>.374*</b>
H3f: Educational <b>process</b> strategies positively affect educational performance	Educational literature or similar material is given out with purchases	.682	<b>.325*</b>
H3f: Educational <b>process</b> strategies positively affect educational performance	Museum curators or educational staff are involved with new product development	4.901E-03	<b>.318*</b>
H3f: Educational <b>process</b> strategies positively affect educational performance	Museum store is mentioned as an educational opportunity to museum visitors	<b>2.828*</b>	<b>.563*</b>
H3f: Educational <b>process</b> strategies positively affect educational performance	Formal research takes place to evaluate educational performance of the store	3.688E-02	<b>.248*</b>

\* Significant at  $p \leq .001$     \*\* Significant at  $p \leq .05$     \*\*\* Significant at  $p \leq .10$

**H4: There is a negative or ambiguous direct effect of a financial museum marketing strategy as manifested by the marketing mix on the educational performance of a museum retailer.**

Hypothesis 4 was not supported by the data. In fact, the regression of the identifiers of a financial museum marketing strategy on the composite variable of education indicated a significant positive relationship rather than the predicted negative or ambiguous effect. The financial strategy indicators predicted 38.0% of the variance in educational performance. In terms of predicting educational performance the constant



term was the single largest positive predictor followed by 3 significant positive coefficients and one significant negative coefficient. There were 17 positive and significant correlations between the financial strategy and educational performance and 1 significant negative correlation.

**Table 4.13:** Sub-hypotheses 4a through 4g results

Sub-Hypotheses	Description	Unstandardized Coefficient	Pearson Correlation w/ Educational Performance
	Constant	39.434*	
H4a: Financial product strategies negatively or ambiguously affect educational performance.	High degree of variety in product assortment	-.354	.189*
H4a: Financial product strategies negatively or ambiguously affect educational performance.	High degree of souvenirs in product assortment	-2.552*	-.330*
H4a: Financial product strategies negatively or ambiguously affect educational performance.	High degree of customized private label in product assortment	.79	.152**
H4b: Financial price strategies negatively or ambiguously affect educational performance.	High/low pricing practiced frequently	-7.537E-02	.009
H4b: Financial price strategies negatively or ambiguously affect educational performance.	Old and new prices are shown on signs (High/low pricing)	.164	.184**
H4b: Financial price strategies negatively or ambiguously affect educational performance.	Discounts given to customers taken into account in markup calculations.	-.131	.228**
H4b: Financial price strategies negatively or ambiguously affect educational performance.	Slow sellers marked down promptly (permanent markdowns)	.162	.125***
H4b: Financial price strategies negatively or ambiguously affect educational performance.	Set markups are used throughout store	-.225	.116***
H4b: Financial price strategies negatively or ambiguously affect educational performance.	Keystone or more markups throughout store except for books	-.392	.087
H4b: Financial price strategies negatively or ambiguously affect educational performance.	Comparison to competitive prices considered in pricing	2.067*	.486*
H4c: Financial	Special activities held		

<b>promotional strategies</b> negatively or ambiguously affect educational performance.	to increase store visitation	-8.402E-02	<b>.255*</b>
H4c: Financial <b>promotional strategies</b> negatively or ambiguously affect educational performance.	Special activities during peak visitation periods	.484	<b>.189**</b>
H4d: Financial <b>place strategies</b> negatively or ambiguously affect educational performance.	External store sites away from the museum	-.248	.011
H4d: Financial <b>place strategies</b> negatively or ambiguously affect educational performance.	Store is near to museum entrance and/or exit	.807	<b>.158**</b>
H4e: Financial <b>people strategies</b> negatively or ambiguously affect educational performance.	Store management rewarded for financial performance	-2.074E-02	<b>.190**</b>
H4e: Financial <b>people strategies</b> negatively or ambiguously affect educational performance.	Staff has selling skills training	<b>1.092***</b>	<b>.385*</b>
H4e: Financial <b>people strategies</b> negatively or ambiguously affect educational performance.	Store management with professional retail business experience or training	.468	<b>.300*</b>
H4f: Financial <b>physical evidence strategies</b> negatively or ambiguously affect educational performance.	High portion of museum space devoted to the store	.541	.098
H4f: Financial <b>physical evidence strategies</b> negatively or ambiguously affect educational performance.	Store designed for maximum shopping convenience	7.396E-02	<b>.176**</b>
H4g: Financial <b>process strategies</b> negatively or ambiguously affect educational performance.	Fully implemented point of sale system	.202	<b>.260*</b>
H4g: Financial <b>process strategies</b> negatively or ambiguously affect educational performance.	Formal market research is used to improve financial performance	<b>1.243***</b>	<b>.396*</b>
H4g: Financial <b>process strategies</b> negatively or ambiguously affect educational performance.	Store open longer hours than the museum	<b>-1.608**</b>	-.063
H4g: Financial <b>process strategies</b> negatively or ambiguously affect educational performance.	Store mentioned as a shopping opportunity to museum visitors	<b>1.098***</b>	<b>.366*</b>

\* Significant at  $p \leq .001$ ,    \*\* Significant at  $p \leq .05$     \*\*\* Significant at  $p \leq .10$

# **STRATEGY IMPLEMENTATION EFFECTIVENESS IN A NONPROFIT ENVIRONMENT: THE CASE OF MUSEUM STORES**

## **CHAPTER V CONCLUSIONS**

This research sought to examine and better understand the phenomenon of the museum store within the setting of the museum itself. In particular, both the “mission” driven or educational strategies as well as the financial strategies of a museum were examined. The objective was to determine if the results of these strategies could be measured and how these strategies affected a meaningful measure of performance in the museum setting. Toward that end a model was developed based on the literature of non-profit marketing, services marketing, retail marketing and museums. Hypotheses were developed based on this literature and then tested. The results of those tests have been presented in Chapter IV. This chapter interprets those results, discusses the limitations of the research, offers managerial implications and finally proposes future research.

### **Summary of Research Findings**

Measurement of museum retailing performance was one of the objectives of this research. Specifically, the measurement of both the mission driven educational performance as well as the more typical retail financial performance was undertaken. A single factor measurement of educational performance was developed based on twelve components. Financial performance in the museum retailing setting was measured by the traditional retailing measure of sales per square foot.

The research results indicated that identifiable educational and financial strategies are linked to educational and financial results. Specifically, there was a significant and positive effect of educational strategies on educational performance. There was a modest but statistically significant effect of educational strategies on financial performance. Financial strategies positively and significantly affected financial performance as well. Contrary to the research hypothesis, financial strategies had a positive and statistically significant effect on educational performance. These results are indicative of the complexity of measuring performance and the relationship between strategies and performance in the nonprofit museum environment.

Specific strategies, both educational and financial were identified as being either positively or negatively correlated with educational and financial performance. Table 5.1 details those strategies that were identified as being statistically significant when correlated with financial and educational performance. It is important to note that there are several specific strategies that were identified as having a statistically significant correlation with both educational and financial performance outcomes. Indeed, there are eight financial strategies and eight educational strategies that were identified by the literature as being clearly financial or educational, but had a statistical significant correlation with both financial and educational performance. One of these strategic indicators (product assortment) was a checking variable. It had a positive correlation for large assortment and a negative correlation for small assortment.

Of course it is important to note that a positive or negative correlation does not indicate a causal or predictive relationship between the identified strategies and their respective outcomes. However, the correlations do provide a useful tool for examining

the detailed and specific strategies that are related to, or present in, high educational and/or financial performance.

**Table 5.1: Museum store strategies significantly correlated with financial and educational performance**

	<b>FINANCIAL PERFORMANCE</b>		<b>EDUCATIONAL PERFORMANCE</b>	
<b>Strategy Description</b>	<b>Strategy Identification</b>	<b>Performance Effect</b>	<b>Strategy Identification</b>	<b>Performance Effect</b>
<b>PRODUCT STRATEGIES:</b>				
High degree of product assortment (variety)	<i>Financial</i>	<i>Positive</i>	<i>Financial</i>	<i>Positive</i>
High degree of customized private label in product Assortment	<i>Financial</i>	<i>Positive</i>	<i>Financial</i>	<i>Positive</i>
High degree of reproductions in product assortment	<i>Educational</i>	<i>Positive</i>	<i>Educational</i>	<i>Positive</i>
Very limited assortments	<i>Educational</i>	<i>Negative</i>	<i>Educational</i>	<i>Negative</i>
High degree of relatedness to the museum collection	<i>Educational</i>	<i>Positive</i>	<i>Educational</i>	<i>Positive</i>
Unique product assortment based on museum collection	<i>Educational</i>	<i>Positive</i>	<i>Educational</i>	<i>Positive</i>
<b>PRICE STRATEGIES:</b>				
High/low pricing practiced frequently	<i>Financial</i>	<i>Negative</i>	(No effect)	(No effect)
Old and new prices displayed (high/low pricing)	<i>Financial</i>	<i>Positive</i>	<i>Financial</i>	<i>Positive</i>
Keystone markup used throughout except for books	<i>Financial</i>	<i>Positive</i>	(No effect)	(No effect)
Comparison to competitive prices considered in pricing	<i>Financial</i>	<i>Positive</i>	<i>Financial</i>	<i>Positive</i>
Lower (minimal) markups	<i>Educational</i>	<i>Negative</i>	(No effect)	(No effect)
Demand pricing	(No effect)	(No effect)	<i>Educational</i>	<i>Negative</i>
Discounts considered in markup calculations	(No effect)	(No effect)	<i>Financial</i>	<i>Positive</i>
Slow sellers marked down promptly	(No effect)	(No effect)	<i>Financial</i>	<i>Positive</i>
Set markups used throughout the store	(No effect)	(No effect)	<i>Financial</i>	<i>Positive</i>

	FINANCIAL PERFORMANCE		EDUCATIONAL PERFORMANCE	
Strategy Description	Strategy Identification	Performance Effect	Strategy Identification	Performance Effect
<b>PROMOTION STRATEGIES:</b>				
Educational descriptions and copy on signs and Literature	<b>Educational</b>	<b>Positive</b>	<b>Educational</b>	<b>Positive</b>
Special activities to increase store visitation	(No effect)	(No effect)	<b>Financial</b>	<b>Positive</b>
Special activities during peak visitation	(No effect)	(No effect)	<b>Financial</b>	<b>Positive</b>
<b>PLACE STRATEGIES:</b>				
External store sites away from the museum	<b>Financial</b>	<b>Positive</b>	(No effect)	(No effect)
Store near museum exit/entrance	(No effect)	(No effect)	<b>Financial</b>	<b>Positive</b>
<b>PEOPLE STRATEGIES:</b>				
Store management rewarded for financial performance	<b>Financial</b>	<b>Positive</b>	<b>Financial</b>	<b>Positive</b>
Staff has selling skills training	<b>Financial</b>	<b>Positive</b>	<b>Financial</b>	<b>Positive</b>
Store management has professional retail experience or training	<b>Financial</b>	<b>Positive</b>	<b>Financial</b>	<b>Positive</b>
Staff has interpretive training and talk knowledgeably about museum collection	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Knowledge about the museum collection considered when hiring	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Store management has professional museum training	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Store staff evaluated on knowledge of museum collection	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Store staff evaluated on ability to talk about the collection with visitors	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
<b>PHYSICAL EVIDENCE STRATEGIES:</b>				
Curators or educational staff had input into store design	<b>Educational</b>	<b>Negative</b>	(No effect)	(No effect)
Bags, gift boxes, product tags	<b>Educational</b>	<b>Positive</b>	<b>Educational</b>	<b>Positive</b>

<b>Strategy Description</b>	<b>FINANCIAL PERFORMANCE</b>		<b>EDUCATIONAL PERFORMANCE</b>	
	<b>Strategy Identification</b>	<b>Performance Effect</b>	<b>Strategy Identification</b>	<b>Performance Effect</b>
and/or similar supplies highly related to the museum's collection				
General atmosphere of the store reflects the nature of the museum's collection	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Store designed for shopping convenience	(No effect)	(No effect)	<b>Financial</b>	<b>Positive</b>
<b>PROCESS STRATEGIES:</b>				
Fully implemented point of sale system	<b>Financial</b>	<b>Positive</b>	<b>Financial</b>	<b>Positive</b>
Market research used to improve financial Performance	<b>Financial</b>	<b>Positive</b>	<b>Financial</b>	<b>Positive</b>
Store open longer hours than the museum	<b>Financial</b>	<b>Positive</b>	(No effect)	(No effect)
Educational and/or interpretive demonstrations in the store	<b>Educational</b>	<b>Positive</b>	<b>Educational</b>	<b>Positive</b>
Museum curators or educational staff are involved with new product development	<b>Educational</b>	<b>Positive</b>	<b>Educational</b>	<b>Positive</b>
Educational literature given with purchase	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Store mentioned as an educational opportunity to museum visitors	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Formal research evaluates educational performance of store	(No effect)	(No effect)	<b>Educational</b>	<b>Positive</b>
Store mentioned as a shopping opportunity to museum visitors	(No effect)	(No effect)	<b>Financial</b>	<b>Positive</b>

### Research Limitations

Churchill (1979) recommends that in developing a scale to measure a marketing construct additional steps should be taken over and above those steps taken in this research to establish a scale for measuring educational performance. This research is

limited by the fact that the measurement of educational performance should be re-tested and re-assessed. This limitation was a result of time constraints.

Further, the size of the sample limited some exploration into measurement of various sub-groups with respect to the educational or financial performance. The area of investigation that appears from the literature and from observation of the data to offer the most fruitful grounds for differentiation of results is that of size based on visitation. The enormous range of visitation levels in the sample and the existence of a very peaked distribution based on size are indicative of some potential information about how sensitive the hypotheses offered in this investigation may possibly be to the size of the museum.

Other potential covariates are also present that may aid in the understanding of how the model investigated in this research works. Age of the museum, location in tourist or metropolitan regions, professional retail management and the subject matter of the collection all appear to have potential as covariates. While that data has been collected it is outside of the hypotheses being reviewed at this time. However, exploration of these covariates should aid in the understanding of the museum retailing phenomenon within the environment of the museum.

This research specifically sought to identify variables that were indicators of specifically financial or educational strategies. As has been seen in the results, some of those indicators were correlated with both educational and financial performance. Since some strategies found in the literature were not used in this research because they were not clearly identifiable as educational or financial, the overall model might have been enhanced by their inclusion.



Additionally, identification of specific strategies in terms of the seven “P’s” of the service marketing mix gave a good framework for discovering the strategic indicators in the literature and organizing them for discussion. However, some of the strategies could be identified in more than one category. For example, the Physical Evidence indicator strategy that states that, “bags, gift boxes, product tags and/or similar supplies are highly related to the museum’s collection” could also be an indicator of a Promotional strategy (Levy and Weitz 2001). Because the clear identification of strategies within the seven “P’s” framework is problematic, results of the study should not be made in terms of the marketing mix titles themselves, but rather by the individual strategies identified and researched.

### **Implications**

The results of this research are significant for museum store managers, museum administrators, retail managers in general, those involved with nonprofit marketing and academic researchers in the fields of museums marketing and management, nonprofit marketing, and retail marketing. The identification of a non-financial performance measure as well as a traditional financial performance measure for the marketing activities of museum retailing has implications for the marketing of nonprofit organizations overall. Museum retail marketing can be effectively measured by multiple measurements that are reflective of the wider scope of the overall museum mission and objectives. Strategies that are related to both the non-financial measure (educational performance) and the financial measure were identified and were shown to be significant predictors and have significant relationships with two different performance measures. Additionally, these strategies had significant counter-intuitive relationships with the two

performance measures. The first of these is that educational strategies positively affected financial performance. Although, it seems somewhat counter-intuitive, this was hypothesized as being positive based upon literature related to an investigation of nonprofit theatre activities (Voss and Voss 2000) plus competitive strategy theory (Conant, Smart and Solano-Mendez 1993). The results of this study supported the hypothesis. The second relationship, that of the effect of financial strategies on educational performance, was hypothesized as having a negative or ambiguous relationship based on the fact that no literature exists indicating any relationship of this nature. However, the results of this research indicated a positive effect of financial strategies on educational performance. The over-riding implication for museum administrators, nonprofit managers, retail managers and museum store managers is that marketing activities undertaken by nonprofits may have both mission related and financially related results.

Indeed, as Ames (1988) posited, financial strategies are not endangering the museum's mission rather, they may be both directly and indirectly enhancing the mission. This implication for museum administrators is that the museum store strategy overall should be part of the overall educational as well as the financial plan of the museum. Further, the educational performance of the museum store is measurable. Cross-functional involvement between curators in the development of new products and the training of store staff and the retail manager and the educational staff is vital for optimizing the overall educational mission of the museum as well as the financial revenues raised in the retail operation. Therefore, managerial implications for museum administrators include:

- The museum's best interests are served if the museum store is included as being a part of the overall educational strategic planning of the museum.
- A cultural shift may be in order for many museums. The idea that the museum store is merely a source of revenues that can be used to support the museum is short-sighted. Rather, the museum store should be viewed as part of the overall means of achieving the museum's educational goals. Specifically, off-site retail sites could be viewed as an extension of the museum into the community.
- Cross-functional involvement between educational staff, curators, marketing and retail stores as well as other museum staff should be actively pursued. Examples of cross-functional involvement include the training of museum store staff with respect to the museum's collection, curatorial involvement with product development, curatorial involvement with signing and packaging, and collaborative efforts to install or enhance interactive interpretive demonstrations in the museum store.
- Selling skills training may benefit other areas of the museum in not only achieving financial goals, but in directly affecting the mission of the museum as well.

Specific recommendations related to the points mentioned above include the example of the retail manager and the curatorial/educational staff implementing special interactive activities or hands-on demonstrations in the museum store. It is clear that in

hiring of the museum store manager, it is helpful to both the financial and educational performance if the potential museum store manager has strong retail experience.

Additionally, appraisal and reward systems for museum store managers may need to be evaluated and repositioned. It is appropriate and necessary that the museum store manager be evaluated and rewarded for financial as well as educational performance.

The museum store manager on the other hand has a number of specific tools in terms of marketing mix items that have been identified as being predictors or strong positive associates of financial and educational strategies. However, those items that are strongly correlated with good performance are not necessarily good predictors of performance. For example, the presence of a fully implemented point of sale system is highly correlated with financial performance and less strongly, but significantly associated with educational performance. However, this does not mean that the purchase, installation and use of a fully integrated point of sale system will result in high performance of any kind for all museums. For many small museums the POS system may represent an unrealistic investment or one which will not be able to yield results in relation to its expense. On the other hand, carrying products related to the collection, a large variety in the store's assortment, and developing and selling private-label merchandise all are predictors of increased revenues and educational performance. Staff training in selling skills as well as information about the museum's collection is important as well. Therefore, some specific implications for museum store managers include:

- Museum store managers should pursue **product** strategies that maximize the assortment offered while focusing on museum collection related

products, private label programs, reproductions of the collections and unique products that are related to the collection.

- Museum store managers should pursue **pricing** strategies that use keystone or better markups except when dictated by trade practices such as in with books, be sensitive to competitive pricing, include the fact that discounts are given to some groups in their pricing and take timely and appropriate markdowns on slow selling merchandise. When markdowns are taken the old and the new price should be shown. However, there is no evidence that museum store manager's should have regular "sales" based on price reductions.
- Museum store managers should pursue **place** strategies that include adding auxiliary stores or outlets away from the main museum when feasible and near the entrance or exit to the museum itself for store's located on-site.
- Museum store managers should pursue **people** strategies that reward their staff for both financial and educational activities, provide selling skills training and educational and/or interpretive training opportunities.
- Museum store managers should pursue **physical evidence** strategies that include making the collateral materials used in the store such as bags, product tags, and signing as educational as possible, as well as make sure that the store is convenient for shoppers and includes atmospherics that reflect the collection of the museum. This might include the decorating, the music or even the aromas evident in the store.

- The museum store manager should pursue **process** strategies that make full use of the information offered by a point of sale system if one is in use in their store, pursue market research that seeks to understand the customer, the effect of marketing strategies, and the educational performance of the store. Further, store hours should be customer friendly and recognize that the store may be a destination in and of itself when appropriate. Educational literature should be passed out with purchases and the store should be mentioned by guides and docents or other museum staff as both a shopping and an educational opportunity for visitors.

For retail managers outside of the nonprofit environment there are implications from this study as well. For those retailers such as Benetton and Ben and Jerry's, who have social cause affiliations and include social causes in their missions, the implications are obvious. Specifically, attention to the social cause is good for the cause as well as for business. Conversely, attention to strategies that increase business is good for finances and increasing shareholder wealth, but also enhancing the achievement of the social cause. A deeper implication for profit-oriented retailers is also indicated by this research. If the mission of the retail firm is in any respect non-financial in nature, then the firm needs to be measuring results in both financial and non-financial terms and realizing that strategies that are financially driven can result in non-financial performance as well as financial performance. Conversely, this research implies that strategies that are non-financially driven can result in financial as well as non-financial performance. While this

obviously needs additional research the implication of this study is to support the practice of multiple measures for assessing performance. Therefore, retailers in general should:

- Retail firms would be well served to measure performance in more than just financial terms.
- Retail firms should consider the possibilities of pursuing mission driven strategies that are both financial as well as non-financial as they are appropriate for their organization.

Finally, because this research indicates that there is a relationship between marketing strategies that are social in nature and have both social and financial results as well as financial marketing strategies that have both social and financial results there are implications with respect to the academic discussion of social marketing. The implication of these findings is that the idea that nonprofit marketing is merely fund-raising in support of a social cause is not supported. Further, the idea that social marketing merely uses marketing tools to enhance social causes is also limited. The findings of this study indicate that the picture of social marketing is more complex and that relationships between social marketing strategies, whether financial or altruistic, will have results that are mixed in terms of strategic objectives. Hence, the results of this research imply that:

- Nonprofit marketing is more than just fund-raising or marketing activities directed at raising finances with which to support a nonprofit organization's mission.

- Nonprofit marketing involves more than the use of marketing tools to aid in the achievement of the nonprofit's mission.

### **Questions –Future Research**

While this research has contributed to our understanding of the marketing and management of the museum store and to some extent to museums in general, and it has implications for retailers and nonprofit marketers in general, there is a substantial amount of research that remains to be done with respect to these areas. For the museum stores the investigation of the effect of covariates such as size based on visitation, age of the museum, subject matter of the museum collection, location of the museum and retail experience of the manager is indicated. The fact that the indicators of educational and financial strategy were positively correlated with both educational and financial performance also points to an investigation of the relationship between educational performance and financial performance. Traditionally, museums started museum stores in order to raise funds to further the mission of the museum which included education. There are indications that there is an effect of financial performance on the part of the museum stores directly onto educational performance and possible in the reverse direction as well.

For nonprofits in general, it would be helpful to know how the dynamics found in this study apply. Do the relationships between mission driven and financially driven strategies and performances apply in other nonprofits, or only to the museum stores? In fact, within the museum itself, do these findings exist outside of the museum store? Do other activities of the museum such as site rental, food service, and admissions marketing exhibit similar patterns?



This research has looked at museum stores from a strategic internal perspective. However, the external environment and the customer's perspective need to be taken into account. For example, how does competition affect these findings? How do customers rate educational performance? How are museums and museum stores, or nonprofits in general, affected by both internal and external competition? Indeed, customer behavior with respect to museums stores has not been academically researched in any respect. What are the motivations for customers to shop at museum stores: tourism (souvenirs), education, extending the experience, altruism, contributions to the "cause", filling a personal need for the product or gift giving? What are the customer motivations for visiting the museum store? Is it based on the visit to the museum, the recommendation of museum guides or special products that can be bought there?

Most of the discussion about nonprofit retailing is concerned with museums, which is understandable since that is where most nonprofit retailing occurs. However, is it possible that other nonprofits could adapt and use this retail oriented research to attempt retail strategies on behalf of their social cause? In what other nonprofit environments can retail activities also fulfill both financial and mission driven objectives?

Obviously, there is a great deal of research that can and should be undertaken. Further research should result in findings that will aid in the understanding of not only museum retail marketing, but in retail marketing and nonprofit marketing as well.

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**Appendix A:****A SURVEY OF MUSEUM RETAILING**

**The information that you provide in this survey will be used for academic research about museum stores. Your responses will be kept confidential. If you would like a copy of the general results of the study, please contact the researcher.**

**INSTRUCTIONS:** The survey should be completed by the individual responsible for retail operations at your museum.

**Return the completed survey by fax to 757-566-1539.**

If you want to mail the survey or correspond with the researcher the address is:

Sandra Mottner  
Old Dominion University  
Museum Retailing Research Project  
P.O. Box 461  
Toano, VA 23168

If you have questions about the survey please call the researcher at 757-566-1539 or write via e-mail at Smottner@odu.edu.

**SECTION I:** Please fill in each blank with the information for the **last full fiscal year**:

The museum was open to the public \_\_\_\_\_ months in the last full fiscal year.

Total Museum Visitation (attendance) : \_\_\_\_\_

(Please note if visitation is: ☐ estimated, or ☐ actual)

Total Net Sales in Dollars for all retailing activities including stores, catalogs, direct mail, licensing or other retail-related ventures: \_\_\_\_\_

Total Net Sales in Dollars for stores only \_\_\_\_\_

Total Cost of Goods Sold in Dollars: \_\_\_\_\_

Total Gross Margin in Dollars: \_\_\_\_\_

Total Net Profit in Dollars: \_\_\_\_\_

Average Inventory in Dollars: \_\_\_\_\_

(Check whether the average inventory is: ☐ at Cost or, ☐ at Retail

What was the ending date of your fiscal year? \_\_\_\_\_

What was the total square footage of your retail selling space including kiosks? \_\_\_\_\_

How many separate stores does this footage cover (not including kiosks)? \_\_\_\_\_

Our museum also has the following (check all that apply):

- ☐ A direct mail or catalog program
- ☐ An active retail Internet presence
- ☐ Seasonal or temporary kiosks
- ☐ A licensing program
- ☐ Other retail type outlets (describe) \_\_\_\_\_

**SECTION II:** For each of the statements listed below, please circle the response that best expresses the extent to which you agree or disagree with the statement about your museum store(s).

	<b>Strongly Disagree</b>		<b>Neutral or no Opinion</b>			<b>Strongly Agree</b>		
1. Most of the products in the store(s) are reproductions of items in the museum's collection	1	2	3	4	5	6	7	NA
2. The store has a fully implemented point of sale system	1	2	3	4	5	6	7	NA
3. The museum store is large for the size of the museum	1	2	3	4	5	6	7	NA
4. The store(s) has greatly increased visitor awareness regarding the subject matter of the museum's collection	1	2	3	4	5	6	7	NA
5. Special promotional activities are held to increase store visitation	1	2	3	4	5	6	7	NA
6. There is a lot of variety in the assortment of products in the store(s)	1	2	3	4	5	6	7	NA
7. The store(s) helps visitors understand the museum's collection/subject matter better	1	2	3	4	5	6	7	NA
8. Store management is rewarded for the store's financial performance	1	2	3	4	5	6	7	NA
9. The assortment of products in the store(s) is very limited	1	2	3	4	5	6	7	NA
10. Retail prices are mostly based on what customers are willing to pay for the product.	1	2	3	4	5	6	7	NA
11. Sales staff is given selling skills training	1	2	3	4	5	6	7	NA
12. Prices in the store are frequently reduced in order to sell more product	1	2	3	4	5	6	7	NA
13. The museum has greater educational outreach because people purchase items in the store(s)	1	2	3	4	5	6	7	NA
14. When prices in the store are reduced both the old and the new price are shown on the price tag or price sign	1	2	3	4	5	6	7	NA
15. There are educational or interpretive demonstrations in the store	1	2	3	4	5	6	7	NA

	<b>Strongly Disagree</b>		<b>Neutral or no Opinion</b>			<b>Strongly Agree</b>		
16. Discounts given to various groups (e.g. seniors, students, employees) are taken into account when pricing products	1	2	3	4	5	6	7	NA
17. The manager(s) of the store(s) have professional retail experience and/or training	1	2	3	4	5	6	7	NA
18. One or more of the museum stores is not located at or near the site of the main museum collection	1	2	3	4	5	6	7	NA
19. The store(s) promotes visitor appreciation for the museum's collection/ subject matter	1	2	3	4	5	6	7	NA
20. The store is designed for maximum ease of shopping	1	2	3	4	5	6	7	NA
21. Educational descriptions and educational copy are an important part of the text in our signs, catalogs, retail Internet sites, or direct mail literature	1	2	3	4	5	6	7	NA
22. The markup used is minimal	1	2	3	4	5	6	7	NA
23. Special promotional activities are held during our peak visitation season in order to increase store visitation	1	2	3	4	5	6	7	NA
24. The sales staff is trained to interpret or talk knowledgeably about the museum's collection	1	2	3	4	5	6	7	NA
25. Most of the products in the store(s) are related to the museum's collection in some way	1	2	3	4	5	6	7	NA
26. Collection knowledge is a criterion in hiring sales staff	1	2	3	4	5	6	7	NA
27. The store(s) promotes visitor knowledge about the museum's collection/ subject matter	1	2	3	4	5	6	7	NA
28. Most of the products offered in our store(s) are souvenirs	1	2	3	4	5	6	7	NA
29. The manager(s) of the store(s) have professional museum experience and/or training	1	2	3	4	5	6	7	NA
30. The store(s) causes visitors to be more excited and enthusiastic about the subject matter of the museum's collection	1	2	3	4	5	6	7	NA

	<b>Strongly Disagree</b>		<b>Neutral or no Opinion</b>			<b>Strongly Agree</b>		
31. Formal market research is used to improve the financial performance of the store	1	2	3	4	5	6	7	NA
32. Educational literature or similar material is given out with purchases	1	2	3	4	5	6	7	NA
33. Museum curators or educational museum staff members are involved with the development of new products	1	2	3	4	5	6	7	NA
34. The store(s) is (are) near the main entrance and/or exit of the museum	1	2	3	4	5	6	7	NA
35. The store is mentioned as an educational opportunity to visitors during orientations, tours, or through other material	1	2	3	4	5	6	7	NA
36. When an item does not sell well it is marked down promptly	1	2	3	4	5	6	7	NA
37. The store(s) is open longer hours than the museum itself	1	2	3	4	5	6	7	NA
38. The store(s) exposes visitors to the subject matter of the museum's collection	1	2	3	4	5	6	7	NA
39. The store is mentioned as a shopping opportunity to visitors during orientations, tours, or through other material	1	2	3	4	5	6	7	NA
40. The store(s) helps visitors to learn about the museum's collection/subject matter	1	2	3	4	5	6	7	NA
41. Formal research takes place to determine if the museum store has an educational effect on visitors	1	2	3	4	5	6	7	NA
42. Retail prices are determined by using set percentages of markup on most products in the store	1	2	3	4	5	6	7	NA
43. Curators or educational museum staff had input into the design of the store	1	2	3	4	5	6	7	NA
44. Sales staff are evaluated on their knowledge of the collection	1	2	3	4	5	6	7	NA
45. The general atmosphere of the store reflects the nature of the museum's collection	1	2	3	4	5	6	7	NA

	<b>Strongly Disagree</b>		<b>Neutral or no Opinion</b>			<b>Strongly Agree</b>		
46. Sales staff is evaluated on their ability to talk about the collection with visitors	1	2	3	4	5	6	7	NA
47. The museum has greater educational outreach because people visit the store(s)	1	2	3	4	5	6	7	NA
48. The store(s) causes visitors to want to learn more about the subject matter of the museum's collection	1	2	3	4	5	6	7	NA
49. The markup used is typically at least double the cost of the merchandise for all products except books	1	2	3	4	5	6	7	NA
50. Bags, gift boxes, product tags and/or similar supplies are highly related to the museum's collection	1	2	3	4	5	6	7	NA
51. The store(s) gives visitors additional access to the subject matter of the museum's collection	1	2	3	4	5	6	7	NA
52. Most of the products are customized for the museum through private-label programs on generic products	1	2	3	4	5	6	7	NA
53. When setting prices a comparison is made of similar products carried by other stores or catalogs	1	2	3	4	5	6	7	NA
54. The store(s) has a personal effect on visitors	1	2	3	4	5	6	7	NA
55. Most of the products in the store(s) are unique because they are based on the museum's collection	1	2	3	4	5	6	7	NA

**SECTION III: Please answer some general questions about your museum and your museum store(s).**

The museum is best categorized as a(an)(check one of the following):

- ☐ Art Museum/Art Collection
- ☐ Children's Museum
- ☐ College and University Museum
- ☐ Corporate Museum
- ☐ Exhibit Area
- ☐ General Museum
- ☐ Historic Site and/or History Museum
- ☐ Library
- ☐ National and State Agency, Council and/or Commission
- ☐ Nature Center
- ☐ Park Museum and Visitor Center
- ☐ Science Center and/or Museum
- ☐ Specialized

The collection of the museum is best categorized as (check one of the following):

- ☐ Anthropological and/or Archaeological
- ☐ Art
- ☐ Historical
- ☐ Natural

Our museum is (check one of the following):

- ☐ More than 50% outdoors
- ☐ More than 50% indoors
- ☐ Evenly mixed outdoors and indoors

Admission is normally charged (check one of the following):

- ☐ Yes
- ☐ No
- ☐ Other (please explain) \_\_\_\_\_

The visitors to our museum are (Rank from 1 to 4, with 1 indicating the highest number of visitors):

\_\_\_\_\_ Families with children  
 \_\_\_\_\_ School Groups  
 \_\_\_\_\_ Adults  
 \_\_\_\_\_ Sr. Citizens

The visitors to our museum are visiting for (Rank from 1 to 4, 1 indicating the highest number of visitors):

\_\_\_\_\_ entertainment  
 \_\_\_\_\_ education  
 \_\_\_\_\_ social reasons  
 \_\_\_\_\_ recreation

Our museum is located (check any that apply):

- ☐ in a large metropolitan area.
- ☐ in or near a tourist destination or tourist region.
- ☐ is a tourist destination itself.

Our museum has support from corporate sponsors? ☐ yes ☐ no

Our museum was founded in \_\_\_\_\_ (specify the year).

To which of the following organizations does your museum belong (check any that apply):

- ☐ National government.
- ☐ State government.
- ☐ Local county or city government.
- ☐ Nonprofit organization.
- ☐ University
- ☐ Religious organization
- ☐ Other (please specify) \_\_\_\_\_

Besides the store(s) our museum also is involved with (check all that apply):

- ☐ Food service, such as a restaurant or snack bar
- ☐ Lodging
- ☐ Site rental
- ☐ Other "businesses" (describe) \_\_\_\_\_

The museum store(s) is (check all that apply):

- ☐ Managed by museum employees.
- ☐ Managed by museum volunteers or a volunteer guild.
- ☐ Contributing a significant portion of its profit to the museum.
- ☐ A leased operation that does not conform to nonprofit requirements.
- ☐ Paying taxes on all of its profits.

Please provide some information about yourself (the person responsible for retail operations).

Education (indicate the highest level completed):

- ☐ High School
- ☐ Some college
- ☐ 4 year degree
- ☐ Some graduate work
- ☐ Graduate degree

Salary range:

- ☐ Volunteer
- ☐ under \$19,999 annually
- ☐ between \$20,000 and \$29,999 annually
- ☐ between \$30,000 and \$39,999 annually
- ☐ between \$40,000 and \$49,999 annually
- ☐ between \$50,000 and \$59,999 annually
- ☐ between \$60,000 and \$69,999 annually
- ☐ between \$70,000 and \$79,999 annually
- ☐ between \$80,000 and \$89,999 annually
- ☐ between \$90,000 and \$99,999 annually
- ☐ over \$100,000 annually

Title: \_\_\_\_\_

Gender: ☐ Female ☐ Male

Years of experience in managing a museum retailing operation: \_\_\_\_\_

Years of experience at this museum: \_\_\_\_\_

Years of experience in retail management: \_\_\_\_\_



**SECTION IV:** For each of the statements listed below, please circle the response that best expresses the extent to which you agree or disagree with the statement about your museum.

	<b>Strongly Disagree</b>		<b>Neutral or no Opinion</b>			<b>Strongly Agree</b>		
1. The museum should enhance people's understanding of the subject of its collection	1	2	3	4	5	6	7	NA
2. The museum staff makes major decisions about the museum	1	2	3	4	5	6	7	NA
3. The museum should strive to increase its financial stability	1	2	3	4	5	6	7	NA
4. The museum should expand people's access to its collection	1	2	3	4	5	6	7	NA
5. The museum should expand people's ability to appreciate the collection	1	2	3	4	5	6	7	NA
6. The museum should strive to maintain high levels of interpretation of its collection	1	2	3	4	5	6	7	NA
7. Most departments at this museum get along well with one another	1	2	3	4	5	6	7	NA
8. The museum should raise the awareness of people about its collection	1	2	3	4	5	6	7	NA
9. Some museum staff members have incompatible values	1	2	3	4	5	6	7	NA
10. There is never any disagreement as to the use of the museum's physical resources	1	2	3	4	5	6	7	NA
11. The museum should provide the maximum amount of learning opportunities to people	1	2	3	4	5	6	7	NA
12. Some museum staff members are hostile to one another because of their different values	1	2	3	4	5	6	7	NA
13. Major donor(s) to the museum make major decisions about the museum	1	2	3	4	5	6	7	NA
14. There is never any disagreement as to the use of the museum's financial resources	1	2	3	4	5	6	7	NA
15. Government agencies/agency greatly affect our operations	1	2	3	4	5	6	7	NA

	<b>Strongly Disagree</b>		<b>Neutral or no Opinion</b>			<b>Strongly Agree</b>		
16. Different groups of museum staff members have different values but they are not antagonistic to one another	1	2	3	4	5	6	7	NA
17. The museum should expand its base of financial support	1	2	3	4	5	6	7	NA
18. Collaboration between museum staff members is widespread	1	2	3	4	5	6	7	NA
19. The museum's board of directors and/or trustees make major decisions about the museum	1	2	3	4	5	6	7	NA
20. There is always disagreement as to the use of the museum's financial resources	1	2	3	4	5	6	7	NA
21. Major donor(s) to the museum greatly influence museum operations	1	2	3	4	5	6	7	NA
22. The museum should raise the awareness of people about the subject of its collection	1	2	3	4	5	6	7	NA
23. When members of several departments at this museum get together tensions frequently run high	1	2	3	4	5	6	7	NA
24. Activities between different departments are well coordinated	1	2	3	4	5	6	7	NA

**THANK YOU FOR TAKING TIME TO HELP WITH THIS  
ACADEMIC RESEARCH PROJECT!**

**APPENDIX B:****EDUCATIONAL PERFORMANCE MEASURES  
INTERVIEWEES AND INTERVIEW QUESTIONS****SUBJECTS INTERVIEWED:**

The Smithsonian Institute:

National Air and Space Museum

The National Zoo

The Chicago Art Institute

The Metropolitan Museum of Art

Boston Museum

Colonial Williamsburg Foundation

The Virginia Historical Society

The Museum Stores Association

Museum Consultants, Inc.

**MUSEUM VISITATION:**

NR

3,000,000

1,480,221

4,900,000

1,132,705

983,000

70,000

**QUESTIONS:**

1. How do you evaluate the performance of your museum store(s)?
2. Do your museum stores seek to educate or offer educational opportunities to your visitors?
3. How would you or your organization evaluate how educational the museum store is?
4. Could you rate your museum stores as being more or less educational than other museum stores? If so, how would you do that?
5. Do you, or could you rate your merchandise manager(s) or store manager(s) on their educational efforts? If so, how do (would) you do that?
6. Do you, or could you rate the rest of the museum store staff on their educational efforts? If so, how do (would) you do that?
7. If you had to evaluate the museum itself in its achievement of the educational mission, how would you do that?
8. Are you willing to share financial and other information about your museum?

## VITA

**Sandra A. Mottner**

### **Educational Background:**

Course work, comprehensive exams both oral and written and dissertation completed at Old Dominion University in Norfolk, Virginia as of August 2001 for a Doctor of Philosophy in Business with an emphasis on International Marketing. A Masters of Business Administration was earned at The College of William and Mary in Williamsburg, Virginia in 1993. An undergraduate Bachelor of Arts with a major in Business was completed Magna Cum Laude and with Distinction in 1991 at Mary Baldwin College in Staunton, Virginia. Early course work had been completed at the University of Washington (Seattle) and Washington State University (Pullman) towards the Bachelor's Degree.

### **Professional Business Experience:**

Business experience has included over 25 years in management positions that were to some degree related with retailing. These positions have included the General Manager of a retailing and manufacturing firm, Managing Director of a for-profit Historic Site, Sales Manager and Retail Manager for a major nonprofit foundation, Area Manager and Store Manager for a Department store chain, as well as a Buyer, Asst. Buyer and Asst. National Retail Sales Manager for a major retail and catalog firm. Consulting for nonprofit retailers and start-up businesses involved in the arts has taken place concurrent with the business experience for over 10 years.

### **Teaching Experience:**

Courses taught for Mary Baldwin College as an adjunct instructor have included Principles of Management, International Business, International Marketing, Business and Society, Retail and Services Management, Human Resource Management and Organizational Behavior. International Marketing has been taught at the College of William & Mary. Graduate level Marketing Strategy has been taught at Old Dominion University and a Sales Management course was team taught there as well. Undergraduate teaching at Old Dominion University has included courses in International Marketing, Retail Marketing, Sales Management and Small Business Management.

### **Publications:**

#### **Refereed Publication:**

Sandra Mottner and James P. Johnson, "Motivations and Risks in International Licensing: A Review and Implications for Licensing to Transitional and Emerging Economies", *Journal of World Business*, Summer 2000. 35 (2): 171-188.

Theresa Flaherty, Irvine Clarke III, and Sandra Mottner, "Student Perceptions of Educational Technology Tools". Under revision for the *Journal of Marketing Education*.

#### **Refereed Conference Proceedings:**

- Sandra Mottner, Shawn Thelen and Kiran Karande, "A Typology of Internet Retailers: An Exploratory Study". **American Marketing Association Winter Educators' Conference**, Scottsdale, Arizona, February 2001. Abstract published.
- Sandra Mottner, "Analysis of Retail International Entry Announcements: The Case of Wal-Mart". **AMS/ACRA Retailing Conference**, Columbus, Ohio, November 2000.
- Honeycutt, Earl D., Jr., Zafar U. Ahmed, and Sandra Mottner, "A Comparative Study of Sales Force Training in International and Local Hotels in Singapore: An Exploratory Study in International Marketing". **Academy of International Business Northeast Conference**, Ithaca, NY, June 2000.
- Honeycutt, Earl D., Jr., Zafar U. Ahmed, and Sandra Mottner, "A Comparative Study of International and Local Retailers in Training the Sales Force in Singapore: An Exploratory Study in International Marketing". **Academy of International Business Northeast Conference**, Ithaca, NY, June 2000.
- Sandra Mottner and James P. Johnson, "Motivations and Risks in International Licensing: A Review and a Research Agenda". Poster session - **Academy of International Business** annual meeting, Charleston, SC, November, 1999.

#### **Practitioner Publications:**

- Sandra Mottner, "Book Review: The New Store Workbook: MSA's Guide to Remodeling, Expanding and Opening the Museum Store," *History News*. 51 (1): 26. Winter 1996.
- Pre-publication reviewer of *The New Store Work Book: MSA's Guide to Remodeling Expanding and Opening the Museum Store* for the Museum Stores Association.
- Pre-publication reviewer of *Museum Store Retailing* by Mary M. Theobald for the American Association of State and Local History. 1989