HERMITAGE ✿ AMSTERDAM

The Role of Levels and Prestige on the Effectiveness of Membership Programs:

The Case of the Hermitage Museum

Crowdfunding Seminar
Amsterdam, June 5, 2014

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In this study, we investigate:

- The positive effects of a membership program with different **membership levels** (of the Hermitage museum)
- And how these effects are mediated by the level of **perceived prestige** of the (Amsterdam Hermitage) museum by its members

Positive effects are studied in 4 different ways:

1. **Purchasing** behavior (at the museum shop and restaurant)
2. **Recommendation** behavior (of the museum in social network)
3. **Joint visiting** behavior (with non-members to the museum)
4. **Recruiting** behavior (new members to the program)

About the Hermitage Amsterdam

- Hermitage Amsterdam is a subsidiary of Hermitage St. Petersburg
- They do not have their own collection
- They host mostly temporary exhibitions with art from Hermitage St. Petersburg
- Open since 2004

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Type of membership	Level perks
Friend of the Hermitage (€ 35 p.a.)	One friend pass that provides: Free entry, fast line, exclusive friends night, access to friends lounge, newsletter (3x per year), 20% discount in museum shop, special events and travel deals for friends.
Friend Hermitage Duo (€55 p.a.)	Two friend passes providing the same perks as above.
Catherina Circle Duo (€500 p.a.)	Three friend passes. Additional perks include: a catalogue of current exhibitions, invitation for openings of new exhibitions, special travel events, priority in subscribing for special events.
Peter Circle (€5000 p.a.)	All of the above. In addition: exclusive right to organize an annual private dinner at the museum, pre-opening preview of new exhibitions with an exclusive tour by the curator.

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- **Loyalty programs** are structured marketing efforts that reward and encourage loyal behaviour that ultimately benefit the firm

- Some **benefits** of loyalty programs:

    - Retaining customers cheaper than attracting new ones (Rosenberg, 1984)
    - Higher repurchasing behaviour / switching costs (Sharp & Sharp, 1997)
    - Higher willingness to pay price premiums (Day, 2000; Jain & Singh, 2002)
    - More positive word of mouth (Godes, 2004)
    - More referrals (Biyalogorsky, 2001)

Loyalty vs. membership programs

- Differences between **loyalty** and **membership** programs:

  - One can join most loyalty programs for free, but often **have to pay** to become a member, especially in a non-profit setting (Bhattacharya, Rao & Glynn, 1995)

  - Costumers in **high tiers** of loyalty programs are the **heaviest users** but this is not necessarily the case in membership programs (Glynn, Bhattacharya & Rao, 1996)

- Annual membership fees provide museums a **stable stream of income** at a comparatively low cost (Glynn, Bhattacharya & Rao, 1996):

  - Roughly 80% of the members do not visit enough times to recover their fee
  - Roughly 80% use their special event benefits infrequently

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- Scholars of membership programs have not systematically studied positive effects **beyond direct financial benefits** from its members

- We therefore study whether membership programs are successful in terms of **cross-purchasing**, **recommendation**, **joint visiting** and **recruitment** behavior by its members

- In addition, we study the direct effect of **perceived prestige** and the degree to which it mediates the effect of membership levels on positive organizational outcomes

Hypothesis 1: There is a positive relation between ***membership level*** and

(a)   Cross-purchasing behavior

(b)   Recommendation behavior

(c)   Joint visiting behavior

(d)   Recruitment behavior

Hypothesis 2: The positive relation between membership level and

(a)   Cross-purchasing behavior

(b)   Recommendation behavior

(c)   Joint visiting behavior

(d)   Recruitment behavior

…is ***mediated*** by members' perceived ***prestige*** of the museum

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Type of membership	Member population	Members subsample	Level perks
Friend of the Hermitage (€ 35 p.a.)	39.1%	37.5% (N=115)	One friend pass that provides: Free entry, fast line, exclusive friends night, access to friends lounge, newsletter (3x per year), 20% discount in museum shop, special events and travel deals for friends.
Friend Hermitage Duo (€55 p.a.)	59.0%	59.2% (N=183)	Two friend passes providing the same perks as above.
Catherina Circle Duo (€500 p.a.)	1.7%	3.2% (N=10)	Three friend passes. Additional perks include: a catalogue of current exhibitions, invitation for openings of new exhibitions, special travel events, priority in subscribing for special events.
Peter Circle (€5000 p.a.)	0.1%	0%	All of the above. In addition: exclusive right to organize an annual private dinner at the museum, pre-opening preview of new exhibitions with an exclusive tour by the curator.

+ Non-members (sampled on site): N=122

Behavior data and method

1. ## Cross-purchasing behavior (= OLS regression)

   □ Expenditures in the restaurant as well as the museum store (in Euros).

2. ## Recommendation behavior (= Negative Binomial regression)

   □ "How many persons did you recommend to visit the Hermitage over the past year?"

3. ## Joint visiting behavior (= Negative Binomial regression)

   □ "How many people did you bring along on your visits to the Hermitage over the past year?"

4. ## Recruiting behavior (= Negative Binomial regression)

   □ "How many persons have become a member of the Hermitage thanks to you? "

Perceived prestige scale

■ We use an adaption of the **perceived prestige scale**

(Mael and Ashforth, 1992; Glynn et al.,1996)

■ Four item scale (Cronbach alpa .8):

1. "Membership of the Hermitage is highly valued in my community"

2. "In my community it is considered prestigious to be a member of this museum"

3. "The Hermitage is an excellent conversation topic on parties and social events"

4. "Membership of this museum raises my status among friends and other social contacts."

Revisiting the hypotheses

Hypothesis 1: There is a positive relation between *membership level* and

(a) Cross-purchasing behavior (YES)
(b) Recommendation behavior (YES)
(c) Joint visiting behavior (NO)
(d) Recruitment behavior (NO: significant NEGATIVE effect)

Hypothesis 2: The positive relation between membership level and

(a) Cross-purchasing behavior (YES)
(b) Recommendation behavior (YES)
(c) Joint visiting behavior (NO)
(d) Recruitment behavior (NO)

…is *mediated* by members' perceived *prestige* of the museum

Lessons for crowdfunding?

- **Potential positive effects of investors beyond financial capital investment in crowdsourcing:**
  - ☐ Investors (members) spend more than regular customers?
  - ☐ Investors (members) act as ambassadors (recommenders)?
  - ☐ Investors (members) recruit other investors?
  - ☐ Investors (members) introduce more new customers (bars/restaurants)?

- **Question: How do different investment sizes (membership levels) affect the above mentioned effects?**
  - ☐ Are bigger investors also bigger spenders / better customers?
  - ☐ Are bigger investors also better ambassadors (recommenders)?
  - ☐ Are bigger investors also worse recruiters of other investors?

Thank you for your attention!