The Sustainable Museum
Case Study:

How The International Spy Museum Pioneered a New Museum Model Without the Need for Traditional Fundraising
But first, a quick introduction

Gallagher & Associates

We are an internationally recognized interdisciplinary planning and design studio with offices in Washington DC, New York, Portland and Singapore.
BUSINESS AND CONTENT STRATEGY
Our Reach

We have completed over 685 projects to-date in 30 states and 18 countries.

The map represents our office and project locations:

- G&A STUDIO LOCATIONS
- PROJECT COUNTRIES

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Our expertise lies at the intersection of visitor experience and business sustainability.
What makes a museum sustainable?

Sustainability is achieved when earned & contributed income sources exceed capital and operating expenses, annually and in perpetuity.
Spotlight on the International Spy Museum

SPY 1:0 Stats

- Opened: 2002
- Total Cost: $40 million
- 40,000-square-foot historic building in Penn Quarter
- Charges general admission
- Annual visitors: 700,000
- Artifacts: 750
Expanding on a legacy.

SPY 2:0 Stats

- Opened: 2019
- Total Cost: $162 million
- 140,000-square-foot custom build structure
- Charges general admission
- 250,000 visitors in first 3-mo
- Expanded Exhibits & Events
- 7,000+ artifacts
Our Integrated Approach

Visitor Experience
- Elevate, Educate, & Inspire
- Deliver Form, Function, & Feeling
- Physical Exhibits & Environments
- Digital Content & Interactives
- Virtual Engagement Platforms

Long-Term Sustainability
- Calculate Acceptable Risks
- Smart Design (Demand-Driven)
- Effective Investment Management Support
- Financial Advice
- Right-Size the Development
- Maximize Earned Incomes
- Optimize Operations
Spy’s unique visitor experience

➔ Fully immersive environments
➔ Real stories—real spies
➔ Undercover Mission: Place visitors into the story
➔ Artifact-punctuated, story-led
➔ Provocative, relevant content
Long-term financial planning for sustainability.
Financial Planning Framework

- **Analyze & Develop**
  - Market Insights
    - Audience Segments
    - Site & Area
    - Comp. Venues
  - Cost Structure
    - Hard Costs
    - Soft Costs
    - Capital Structure
  - Operations Plan
    - Attendance & Revenues
    - Self-Operate vs. Outsource
    - Efficient Operations

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Audience Segments

Key Strategic Positioning
1. Visitors 8+ years old
2. Both local and international tourists
3. People seeking a unique/bespoke experience

Outputs
→ Awarded for positive influence on local tourism
→ Capacity targets met each year
Site + Area

Site Goals
- Adaptability for intended use
- Visibility and accessibility to the target audiences

Key Strategic Decisions
1. Near major points of interest
2. Accessible via public transit
3. High visibility with audience
4. Revitalize underutilized areas
Comparable Venues

**Competition**
- DC is a free museum city
- 100+ venues to compete with

**Key Strategic Decisions**
1. Charge admission
2. Compete on perceived value
3. Bespoke experience
Hard + Soft Costs

Hard Costs
- Construction: Core + Shell, Components Fabrication
- Media Development: software, interactives, films

Soft Costs
- Design Fees
- Project Management
- Pre-opening marketing & press expenses
- Pre-opening staffing

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Capital Structure

Sustainable Strategies
- Look for government incentives
- Minimize need for annual fundraising & sponsorships
- Endowment vs annual fundraising

SPY Strategic Decisions
- 50/50 split: equity & gov incentives
Attendance & Revenues

Key Tenets:
1. Adopt a “for-profit” mindset
2. Maximize earned revenue
3. Balance pricing with throughput

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Maximize Earned Incomes

**Strategic Approach**

- Offer products and services that increase visitors’ time on-site
- Leverage your content for unique experiences & merchandise

**Components**

1. Unique Themed Retail
2. Appropriate F&B
3. Bespoke $ Experiences
4. Distinctive Private Events
Pricing Strategy & Throughput

Throughput Strategies
- Design should support targeted attendance
- Raise pricing to lower demand
- Timed-ticketing to flatten arrival curve

Price = Perceived Value
- Start low, end high
- Uniqueness of the experience will substantiate $
Efficient Operations

Key Considerations

→ Self-operate vs. outsource
→ Staffing: 45-65% of budget
→ Mitigate risks with utilities, maintenance, technology, etc.
→ Right-size the project from the beginning
Ultimate Goal: Mitigate Risks

Key risk factors
1. Non-profit vs. for-profit
2. Audience development
3. Value proposition
4. Visitation targets
5. Space requirements
6. Build costs + schedule
7. Organizational structure
8. Earned vs contributed income
Measuring Impact

- Measure ROI: economic & cultural impact, business success
- Measure ROE: Participation, knowledge expanded, a change in perspective
- Outcomes vs Outputs
- Mission-based
Questions?

1. When does for-profit vs. non-profit make a difference?

2. How do you measure return?

Gretchen Coss
gcoss@gallagherdesign.com

Gallagher & Associates
www.gallagherdesign.com
@ganda_design