

**The Town of Hilton Head Island
Workshop
Tuesday, April 22, 2014
Council Chambers
5:30 p.m.
or
Immediately Following the Regular
Town Council Meeting**

AGENDA

- 1. Call to Order**
- 2. FOIA Compliance** – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 3. Presentation by the Arts Consultants – The Cultural Planning Group**
- 4. Adjournment**

The Town of Hilton Head Island

Report on A Comprehensive
Performing and Cultural Arts
Assessment and Strategic Plan

April 10, 2014



The Cultural Planning Group

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The Cultural Planning Group

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Executive Summary

The Town of Hilton Head Island (HHI) has undertaken a process to examine its role in supporting and fostering arts and culture. HHI is a multi-faceted community comprised of just over 38,000¹ residents ranging from those with a multi-generational connection to the Island, to a significant number of part-time residents and homeowners. HHI has an annual influx of tourists exceeding 2 million a year and a diverse workforce that lives both 'on-island' and 'off-island.' The island economy is primarily driven by tourism and real estate with visitors annually contributing more than \$1 billion dollars to the economy. People are attracted to visit and to live on Hilton Head Island for a variety of reasons – the landscape, the golf, the Gullah heritage, the beach, and the great cultural experiences.

The resident population has grown substantially over the past thirty-five years, from just over 10,000 residents to its current population - nearly four times as large. As a result of population growth, the Town of Hilton Head Island is in the midst of evolving the focus and purpose of its municipal government from limited services to meeting a broad range of needs that support the quality of life of residents and workers.

Arts and culture has a long history on Hilton Head Island. It plays a vital role for both residents and visitors. Organizations primarily led by volunteers and focused on supporting personal participation – ranging from community theater, programs for children, art classes and exhibitions, musical performances and more – have provided a solid base for what is now a variety of fully professional, community-based and volunteer led cultural organizations. There are a broad range of traditional, presentations, as well as participatory and educational programs, that are available to residents and visitors.

Arts and culture is essentially viewed from three categories of organizations: Those operating as singularly focused, nonprofit cultural organizations supported by philanthropy; activities sponsored by other multi-faceted nonprofit organizations (e.g., the Gullah Celebration); and a for-profit creative economy including galleries, individual artists and other creative businesses.

The primary focus of this project includes an assessment of the nonprofit arts and cultural community, and recommendations on the future role of the Town of Hilton Head Island in participating in the growth and sustainability of these organizations while fostering a healthy and vibrant arts ecology.

¹ The United States Census Bureau 2012 estimate for the population of the Town of Hilton Head Island is 38,366. Comprehensive population estimates are available at <http://quickfacts.census.gov/qfd/states/45/4534045.html>. The population of Hilton Head Island is estimated to have increased by nearly 3.5% since the 2010 Census.

This project focuses on a set of key questions:

- What policies and activities can the Town adopt to best support the strength and success of arts on the island?
- What funding methods and sources are most appropriate and what are the best mechanisms for distribution of any funds?
- What partnerships provide opportunities to support and strengthen cultural activity?
- What efficiencies are possible within the existing arts and cultural sector and how can the Town facilitate greater efficiency and collaboration?
- What is the current state of the Arts Center of Coastal Carolina? What is an appropriate role for the Town of Hilton Head Island with the Arts Center? What is the role of the Town in addressing the current financial and physical plant challenges of the Arts Center? What are the compelling reasons to invest in the Arts Center?
- Overall, what is the role of the Town in fostering a healthy arts ecosystem?

This report outlines the arts and cultural community profiling research process; a summary of research findings; and a set of recommendations addressing the key questions outlined above.

Accompanying this report is an Appendix and supporting documentation on public engagement and consumer demand research.

Research Methodology

Overview

The Town of Hilton Head Island, SC (Town) is examining its role and relationship with the arts and culture community as outlined in the key questions in the section above.

In approaching this assessment, we utilized a multi-faceted research and discovery design to better understand the arts ecosystem on Hilton Head Island; to engage the community in the plan development process; to provide public access to planning information and ongoing communications; and to encourage public engagement and support for the implementation of the plan.

The research and community engagement process commenced in August of 2013, with a robust set of initiatives listed below. The approach utilized qualitative and quantitative research protocols, including secondary data sources used as comparisons and supplements to the primary research. The research was designed in alignment with available time and resources allocated to the project including budgets, timing, human resources and community access. All initiatives are intended to encourage community members to engage in a transparent, accessible and meaningful dialogue.

Initiatives included:

- In-person and telephone interviews with elected officials, community and philanthropic leaders, and representatives from a broad base of community organizations;
- Six public forums (Community Conversations) over a two-day period in October;
- A web-based community survey accessible from October 3 – November 7;
- A financial and organizational profile survey distributed to nonprofit arts and cultural organizations;
- A review of public records available through Guidestar.org and the National Center for Charitable Statistics at the Urban Institute;
- A demographic and arts consumer demand analysis for Hilton Head Island and areas within a 75-minute drive time;
- A public workshop with members of the Hilton Head Island Town Council;
- A benchmarking analysis to compare Hilton Head Island to several communities with similar attributes.

Method Descriptions

Interviews

A total of 40 group and individual interviews with over 70 participants were conducted throughout the planning process. The majority of the interviewees were assured confidentiality unless they specified otherwise. The interviews were held at Town Hall Chamber offices or via telephone and/or videoconference.

Community Conversations

Six public forums were conducted on the Island throughout a two-day period at public venues. The venues included the Town Council Chambers, The Coastal Discovery Museum, and a community meeting room in the Palmetto Electric building. Two team members facilitated each of the meetings of approximately 1 ½ - 2 hours in duration.

Web-based Survey

A community survey investigating perceptions, attitudes, and preferences of residents and workers was conducted during the planning process. The survey was accessible from October 3, 2013 through November 7, 2013. Approximately 2,200 individuals participated in the survey. The survey and all data were housed on a proprietary website. If sample proportions varied from known proportions of age, gender, ethnicity and education levels and weighting was appropriate, data was weighted to bring sample data to an accurate projection of the Hilton Head Island population as determined by the most recent (2012 estimated update) Census demographics. For race and ethnicity, there was not a sufficient spread of representation to reach demographic quotas.

Communications

The public forums (community conversations) and the survey were announced to the public through a variety of channels:

- An article in the October Edition of CH2 Magazine
- Town Hall sign (Rt. 278) announcements throughout October
- English and Spanish language flyers provided to Native Island Business and Community Affairs Association and distributed through Catholic churches
- A Town Council 'Item of Interest' announcement at the October 15 meeting
- Notification/announcements through the HHI Town Hall website including E-subscription service (email blast list with 1,091 subscribers) and listed under 'Hot Topics' on the home page of the site

- Additional e-mail invitations/blasts announcing the survey which was open from October 3 through November 7, and public meetings were distributed by:
 - POA websites with some membership blasts
 - NIBCAA & Chamber websites & membership blasts
 - Island Recreation Association membership email blast
 - Town Council constituents email blast
 - Arts Groups – announcements and links on their websites along with a number of organizations sending email blasts to their membership and general mailing lists
 - Arts businesses —for profit galleries posting of information on-line and send of email blasts to their specific constituencies
 - Town Hall Employees email lists

Research Outcomes

Following is a profile of arts and culture on Hilton Head Island and an overview of the research and community engagement key findings.

Profile of Arts and Culture on Hilton Head Island

Hilton Head Island (HHI) is a community with a broad scope of arts and cultural activity ranging from professional productions and presentations to volunteer-led programs and organizations. These organizations provide opportunities for residents and visitors to: attend performances of theater, music, dance and more; enjoy festivals and community celebrations; explore personal creative interests and personal participation in artistic pursuits for residents and visitors of all ages; view visual arts in a variety of galleries as well as in the natural environment; and explore the history and heritage of HHI.

The arts and cultural community were active participants in providing data for this assessment. Thirteen organizations were asked to provide comprehensive organizational and financial data for two fiscal years – 2011 and 2012². These organizations responded. The Cultural Planning Group appreciated their timely response and participation in the process and wishes to recognize their openness throughout the assessment project. The thirteen organizations that provided information are:

- Art League of Hilton Head Island
- Arts Center of Coastal Carolina
- Coastal Discovery Museum
- The Heritage Library Foundation
- Hilton Head Barbershoppers
- Hilton Head Choral Society
- Hilton Head Dance Theatre
- Hilton Head Shore Notes
- Hilton Head Symphony Orchestra
- Island School Council for the Arts
- The Main Street Youth Theatre, Inc.
- The Seahawk Theatre Guild
- South Carolina Repertory Company

In addition to the 13 organizations listed above, several additional nonprofit arts and culture organizations on Hilton Head Island were engaged throughout this project, and identified through the Core Business Files at the National Center for Charitable Statistics at the Urban Institute. They include:

- Gullah Museum of Hilton Head Island

² Data for 2013 was unavailable as several organizations operate on a calendar year or fiscal years that were not yet complete during the course of gathering data.

- Mitchelville Preservation Project
- Sandbox - A Hilton Head Area Children's Museum
- The Performing Arts Consortium
- Junior Jazz Foundation
- Island Writers Network
- Embroiderers Guild of America - Low Country Chapter

There are several organizations that present, produce and support arts and cultural activity on Hilton Head Island including the Native Island Business and Community Affairs Association (producers of the annual Gullah Celebration) and the Seahawk Cultural Center, the performing and visual arts center at Hilton Head Island High School. These organizations participated in interviews and provided information on programming and participation.

Financial Profile

Of the thirteen organizational survey respondents approximately one-third have paid professional artistic and management staff. The others are primarily volunteer-led and managed with limited contracting of professional services such as directors, performing artists and designers.

The total fiscal activity for the 13 organizations providing data directly for FY2011 and 2012 was \$7.065M and \$6.88M respectively. It is worth noting that an additional \$1.7M reported by the Arts Center of Coastal Carolina was reported for FY12 but is not included in the totals presented here. This additional \$1.7M represented pledges to a multi-year capital campaign and are not included in this profile so as not to skew a picture of annual operations (the campaign is discussed in the assessment of the Arts Center on page 31).

Three organizations represent 80% of total economic activity of the survey respondents on average over the two fiscal years, based on the most recently available financial information. This remains consistent when examining IRS Form 990 data available through NCCS and Guidestar for earlier years:

- The Arts Center of Coastal Carolina (51%)
- The Hilton Head Symphony Orchestra (16%)
- The Coastal Discovery Museum (13%)

A second tier of four organizations - South Carolina Repertory Company; The Art League of Hilton Head Island; The Sandbox; and the Hilton Head Choral Society - with budgets between \$200,000 and \$350,000 collectively represent an additional 14% of financial activity.

The remaining 8 organizations represent approximately 6% of all financial activity.

During the course of the study, the South Carolina Repertory Company announced it will be ceasing operations at the end of its 2013-14 season.

An analysis of revenues of the 13 organizations providing financial data indicates that in FY 11 and FY 12 approximately 52% of their revenues were earned while 48% came from philanthropic sources both private and public.

In the aggregate, as seen in the following table, ticket sales/admissions is the largest source of revenues (33%). Support from individuals, combined with memberships (16%), are the second highest source of funds and the highest source of contributed revenues. Annual allocations from ATAC (Accommodations Tax Advisory Committee) are the third most important source at approximately 12%. It is worth noting that 8 of the 13 organizations (61%) providing financial information received ATAC allocations.

Table 1: Combined Revenues for FY 11 and FY 12

	<i>FY2011</i>	<i>FY11 % of Total Revenue</i>	<i>FY2012</i>	<i>FY12 % of Total Revenue</i>
<i>Earned Revenues</i>				
Admission/Ticket Sales	\$2,322,477	32.9%	\$2,300,970	33.4%
Touring Fees	\$8,568	0.1%	\$15,980	0.2%
Educational Programs	\$305,722	4.3%	\$320,590	4.7%
Rentals	\$219,279	3.1%	\$234,106	3.4%
Concessions	\$26,011	0.4%	\$21,101	0.3%
Interest	\$121,503	1.7%	\$123,571	1.8%
Other/Miscellaneous	\$669,154	9.5%	\$658,397	9.6%
TOTAL EARNED REVENUES	\$3,672,714	52.0%	\$3,674,715	53.4%
<i>Contributed Revenues</i>				
Individuals	\$1,052,857	14.9%	\$1,186,958	17.3%
Foundations	\$137,738	1.9%	\$104,395	1.5%
Business/Corporate	\$374,558	5.3%	\$379,733	5.5%
Membership	\$92,655	1.3%	\$115,373	1.7%
Special Events	\$549,278	7.8%	\$330,722	4.8%
Other/Miscellaneous	\$177,871	2.5%	\$10,523	0.2%
ATAC	\$836,601	11.8%	\$917,783	13.3%
South Carolina Arts Commission	\$22,248	0.3%	\$23,180	0.3%
Other	\$148,528	2.1%	\$135,891	2.0%
Total Contributed Revenues	\$3,392,334	48.0%	\$3,204,558	46.6%
<i>TOTAL REVENUES</i>	\$7,065,048	100%	\$6,879,273	100%

A general analysis of publicly available records, in addition to an analysis of the financial information provided by the 13 organizations responding to the survey (Form 990's, through Guidestar.org and NCCS) suggests the majority of organizations have experienced significant financial stress in recent years. Nearly all of these organizations

experienced multiple years with operating deficits, some quite significant. While this is not unusual given the basis of the Hilton Head Island economy and the impact of the recessionary period on both earned and contributed revenues, the overall decline in the health of the balance sheets of these organizations is potentially critical and illuminates the need to explore the relationship between the Town and the arts sector. The financial challenges faced by the arts community on Hilton Head Island are consistent with national trends.³ National trends from fiscal years 2008 through 2011 show significant declines in philanthropic and public support for arts and culture. This trend began to reverse in 2011 and has continued to strengthen through 2013. An illustration of this is based on a recent interview with the Hilton Head Symphony where it was reported that they anticipate accumulated deficits from this period to be eliminated within three to four years.

³ Review of the key findings of the National Arts Index available at <http://www.artsindexusa.org/national-arts-index>.

Community Engagement

The community engagement process provided the opportunity for residents and workers on Hilton Head Island to share their insights and opinions of arts and cultural life of HHI; give feedback and suggestions on their needs and preferences; and share their aspirations and visions for the future. A complete analysis of community engagement is included in the Appendix of this report. Key findings are below.

What the community told us ...

- Arts and culture is significantly important to the community as a whole. This includes festivals, community activities and events, programming, personal participation, and facilities.
- There is a desire to see Hilton Head Island as a destination for premiere arts and cultural experiences.
- The priority should be cultural development for residents, while benefiting visitors and tourists.
- There is strong support for the Town of Hilton Head Island having a direct role in the development of and support for arts and culture.
- There is a willingness for annual public support of arts and culture through an annual assessment or other methods.
- The quality of current arts and cultural offerings is perceived as high, although there is room for improvement.
- There is a need for improved communication of events and opportunity for artists to connect.
- There is a need for more affordable and inclusive arts and cultural options.

Resident's top priorities include ...

- Continued arts and cultural development (facilities/programs/services)
- A defined role for the Town in the arts and culture space
- History and heritage preservation
- A workable solution for the Arts Center
- More affordable arts and cultural options for all
- A more inclusive arts and cultural environment and programming (age, race, income, ethnicity).

Arts Consumer Demand Analysis

CPG subcontracted with Surale Phillips, of Decision Support Partners, LLC to conduct an arts demand analysis and profile of the potential local audience. This provides an external analysis drawn from secondary data on consumer behavior and consumer profiles from syndicated sources such as ESRI and Experian. The report quantifies and describes the consumer demand for arts programming within the Hilton Head Island region.

In addition to providing a view of arts engagement and indication of demand, this research provides a 'check and balance' with the primary research conducted in the community engagement phase of the project. Within the analysis of secondary sources, all of the research results are highly consistent and closely aligned with data collected through primary research (community engagement).

The arts demand analysis focused on the geographic area within a 75-minute drive time from Hilton Head Island. The arts demand analysis summary of findings included the following:

“Demand for arts product and services from adults within a 75-minute drive time to Hilton Head is very high. Of the 320 block groups in the region, 39% (127) index at above average rates. Demand is highest in most of the geographic units on Hilton Head Island and within an approximately 40 minute drive, plus some areas of Beaufort and Savannah.”

The complete arts demand analysis report is provided in the appendix of this report.

In addition, an examination of the *Local Arts Index*⁴ (LAI) for Beaufort County, SC in comparison with three benchmark communities (Santa Fe, NM; Naples, FL and Carmel, CA) provides insightful comparisons. The LAI is an opportunity for a community to ask “*How do we compare on a variety of cultural characteristics with similar communities?*” Although it is measured on the county level, not the municipal level, there are notable values to consider, as displayed below. A complete description of each indicator is available at <http://www.artsindexusa.org/where-i-live>. The findings from this additional source are consistent with the arts demand analysis.

⁴ The Local Arts Index is a project of the Americans for the Arts. It is a set of 52 county-based indicators that examine the character and vitality of arts and culture in all 3,143 counties in the United States. This information was derived from examining indicator values for Beaufort County, SC; Collier County, FL; Santa Fe County, NM; and Monterey County, CA on the Local Arts Index website at <http://www.artsindexusa.org/where-i-live>.

Arts Indicator	Beaufort, SC	Collier, FL	Santa Fe, NM	Monterey, CA	National Avg
Total nonprofit arts expenditures per capita, 2010	\$75.83	\$131.85	\$489.38	\$71.41	\$46.32
Expenditures on entertainment admission fees per capita, 2009	\$26.24	\$31.72	\$19.64	\$22.12	\$20.38
Expenditures on musical instruments, per capita, 2009	\$19.60	\$9.30	\$19.65	\$7.45	\$9.47

While this represents only select indicators, it suggests Hilton Head Island, and specifically Beaufort County, SC, are well above the national averages in consumer expenditures and personal participation. Again, this is consistent with the findings in the Arts Consumer Demand Analysis conducted as part of this assessment.

Context – A Benchmarking Study

This study examined a cohort of communities across the country sharing certain characteristics with Hilton Head Island: they are small to mid-sized municipalities that are important tourist destinations. They range in size from 4,100 to 223,000. All have important outdoor recreation amenities – the seashore, golf and/or skiing – as well as growing arts and cultural communities. These communities have both permanent residents and second homes, with many seasonal residents. All are retirement destinations, with people arriving from other parts of the country.

The five communities studied are:

- Carmel, CA
- Charleston, SC
- Park City, UT
- Sarasota, FL
- Scottsdale, AZ

The purpose of this study was to benchmark Hilton Head Island’s engagement with, and support for, the arts. Questions posed included: What role do these communities play in supporting the arts? What form does that support take? What is their level of arts and cultural funding? What role do they play in providing arts and cultural facilities? The answers vary widely, with their individual approaches to arts and cultural support responding to the unique qualities of the community.

Every community is served by a local arts agency, either a municipal or County Arts Council or a nonprofit entity that serves as a local coordinating and planning agency. All commit local tax dollars to support the arts. And all five municipalities play a pivotal role in a signature arts and culture festival. With the exception of Park City, UT, each owns and operates one or more cultural facilities. Four of the five have formal percent-for-art programs. Per capita funding of the arts by the municipality ranges from a low of \$10.79 to a high of \$143.90. The following tables describe these elements in detail.

Table 2: Local tax-funded support for arts and culture

Town	Arts Budget	Per Capita Funding
Carmel, CA	\$590,000	\$143.90
Charleston, SC	\$1,665,000 ⁵	\$13.87
Park City, UT	\$370,000	\$10.79
Sarasota, FL	\$1,997,000	\$37.82
Scottsdale, AZ	\$4,415,000	\$19.77
Average	\$1,775,600	\$45.23

⁵ It is anticipated that this budget will increase substantially when the Galliard Performing Arts Center opens in 2015.

Table 3: Cultural Facilities

Town	Facility	Ownership
Carmel, CA	Sunset Center http://www.sunsetcenter.org	City
Charleston, SC	Dock Street Theatre http://www.nps.gov/nr/travel/charleston/doc.htm	City
	Charleston Music Hall	Private
	Charleston Museum	Private
	Galliard Performing Center http://www.gaillardfoundation.org/the-project/	City
Park City, UT	Eccles Performing Arts Center http://ecclescenter.org/about/history/	City
	Egyptian Theater	Private
	Kimball Art Center	Private
Sarasota, FL	Van Wezel Performing Arts Hall http://www.vanwezel.org/aboutUs/aboutTheHall.cfm	City
	Robert Taylor Community Center http://sarasotagov.com/RLTaylor/	City
	Municipal Auditorium http://www.sarasotagov.com/InsideCityGovernment/Content/MunAud/MunAudHP.html	City
Scottsdale, AZ	Scottsdale Performing Arts Center http://www.scottsdaleperformingarts.org/about/	City
	Scottsdale Art Museum http://www.smoca.org/about	City

Table 4: Other Municipally Supported Programs

Town	Program
Carmel, CA	Monterey Blues Festival
Charleston, SC	Spoletto Festival Gallery at Waterfront Park Public Art Program
Park City, UT	Sundance Film Festival
Sarasota, FL	Sarasota Masters Art Festival Sarasota Festival of the Arts Sarasota Folk Festival Public Art Program
Scottsdale, AZ	Scottsdale Arts Festival Scottsdale Culinary Festival Public Art Program

Observations and Recommendations

The cultural ecology of Hilton Head Island is highly unusual. Although the community has about 38,000 residents, many are transplants from other communities where they are accustomed to very high-quality, diverse cultural offerings. In general, Island residents are highly educated and relatively affluent. This translates to a populace with high demand for arts and cultural programs. The level of this demand has been apparent through all levels of primary and secondary research conducted for this project.

To respond to these demands, Hilton Head Island has seen the development of approximately twenty on-going arts providers, far more than may normally be expected for a community of this size. Moreover, several of these organizations are fully professional, offering programs of national and international quality. The challenge becomes how such a rich mix of cultural resources can be sustained financially given the types of support available in the community.

The arts in this country are supported by a mix of revenue, often referred to as the “three-legged stool.” This model consists of earned revenues (such as ticket sales and admission fees), private philanthropy (foundations, individuals and corporate/business), and government support. In this regard, arts and culture organizations on Hilton Head Island face particular challenges given the particular population mix as well as the nature of corporate, foundation and private philanthropy in the community. As indicated in the analysis of the arts ecosystem on Hilton Head Island, the nonprofit arts groups average 52% of their revenue from ticket sales and other earned income and 48% from both private and public contributed support. Public resources are almost exclusively through the annual ATAC allocations that have a specific focus on supporting tourism activity. Further discussion of the issue of private support on Hilton Head Island is found in Goal 3 below.

Government support for the arts on Hilton Head Island has been limited. Annual grants from the South Carolina Arts Commission have been steady though modest and in line with their budget and capacity, and no Hilton Head Island organizations received grant awards from the National Endowment for the Arts in at least the past ten years⁶. Likewise, local government funding has been minimal and generally limited to ATAC funding. Furthermore, the town has no local arts agency that could provide other types of support and services to local arts and cultural organizations and artists. Overall there is no consistent support to foster a thriving ecology that can lead to a greater diversity of programming as well as the baseline for sustainable operations.

⁶ Based on a review of all National Endowment for the Arts grants from FY 2005 thru 2015. A total of \$9,437,750 in grants were awarded across those 10 fiscal years. No grants were awarded to organizations on Hilton Head Island. It appears no organizations in Beaufort County received support. Hilton Head Island organizations received indirect NEA support through the South Carolina Arts Commission. Grant history is available at <http://apps.nea.gov/GrantSearch/SearchMain.aspx>.

Overarching Goals

The key questions framing this research project focus on the role of the Town of Hilton Head Island in support of arts and culture, the general health and vitality of the cultural community, and issues related to the Arts Center of Coastal Carolina. The following three overarching goals are suggested as a framework for addressing these questions. A set of recommended strategies is outlined below for each of the three goals.

- Goal 1: To strengthen the existing cultural, historical and humanities resources in the community to best serve the residents, workers and visitors to Hilton Head Island.
- Goal 2: To ensure that local cultural organizations and artists have sustainable funding support for their programs and activities.
- Goal 3: To provide an appropriate mix of high-quality, well-equipped arts facilities and venues.

Goal 1

To strengthen the existing cultural, historical and humanities resources in the community to best serve the residents, workers and visitors to Hilton Head Island.

1. Establish a Town Office of Cultural Affairs (OCA) to foster cultural arts activity on Hilton Head Island.

The Office of Cultural Affairs should serve as a central planning and coordinating office as well as a conduit for public support of cultural activity. There are more than 5,000 local arts agencies in the United States and the responsibilities and functions of these agencies vary widely. Most communities with an active arts and cultural ecology have a local agency or municipal entity with a mission to act as a planning and coordinating body for their community. These agencies usually take one of several forms: a government arts commission or office of cultural affairs; a nonprofit cultural council; or, less often, a quasi-governmental agency with both public and private aspects. Those functions may include:

- Acting as a central arts coordinating agency;
- Providing funding for both operating and project support;
- Producing or presenting arts and cultural programs;
- Providing technical assistance and capacity-building services;
- Marketing the arts in their community;
- Creating arts partnerships and promoting collaborative programming;
- Supporting arts education in local schools;
- Maintaining local arts calendar and inventory of arts resources;
- Strategic planning for arts and culture in their community;

- Managing local public art programs;
- Planning for cultural facilities and venues;
- Coordinating festivals and community special events;
- Providing services and support to local artists;
- Supporting the development of the creative economy;
- Advocacy for the arts;
- Promoting the arts through annual awards and celebrations;
- Advising local government on arts policy development.

It is not likely that a Town office would serve all of these functions, particularly at the outset. However, by establishing an Office of Cultural Affairs there is a clear signal communicated on the importance of the cultural life on Hilton Head Island. It is the first step in an intentional, long-term investment in strengthening the cultural sector as enhancing the quality of life for the residents, workers and visitors. An appropriate mix to support arts and culture on Hilton Head Island at this time should encompass the role of a central coordinating agency; facilitating funding; fostering partnerships and collaborations; and supporting marketing and advocacy efforts. Additionally, the issue of future facilities development will benefit from a central agency that coordinates community efforts towards the creation of a new facility.

The operations of the OCA should consider the following functions below that are focused on serving as a coordinator, promoter and advocate for arts and cultural activity on Hilton Head Island and in supporting a healthy, robust and vibrant arts ecology. Functions related to financial resources are discussed under Goal 2.

1.a. Establish an Arts Commission (advisory council) to support and advise the work of the Office of Cultural Affairs.

The Arts Commission should be composed of a group of seven to nine citizens who would be advisors to the Town Council and the OCA on all matters relating to the arts and cultural development of Hilton Head Island. Arts Commission members should be appointed by the Mayor and ratified by the Town Council based on demonstrated interest and involvement in the arts. Members should serve staggered three-year terms with a maximum of two consecutive terms. Appointees to the Arts Commission should not only have a demonstrated interest in the arts but also a commitment to the civic life of the community. Staff and current board members of local cultural organizations are not appropriate appointees since their organizations are likely to be recipients of municipal funding and programs.

1.b. Develop a collaborative marketing program to leverage arts marketing of local cultural programs and activities.

An important role that the OCA could play would be the development of a collaborative marketing program that would combine and leverage the marketing and promotion efforts of Hilton Head Island's arts and cultural organizations and the existing infrastructure for tourism development. This effort should not be directed solely to

visitors, but should also focus on local residents. Part of this program might be to maintain an up-to-date calendar of cultural programs and activities that is prominent on the Town website. Innovative strategies can and should be employed, including use of social media. Consideration should be given to joint, theme-based programming and programs that allow patrons to “curate” their own season from among the offerings of several organizations. This marketing program should be supported by ongoing audience research. There are efforts currently underway by a consortium of arts and culture organizations. However, their efforts are driven and managed by volunteers within the community. This role will benefit from the neutral coordinating function of an OCA driven by professional staff. Additionally, the OCA would be in a key position to collaborate and build on existing efforts to promote cultural activity to visitors.

1.c. Provide adequate staff support for the Arts Commission.

The Arts Commission, as proposed by this study, will have important work to accomplish in its role as advisors to the Mayor and Council. It should play a role in determining arts allocations to the arts and cultural groups of Hilton Head Island. It should oversee planning and implementation of the proposed signature arts and cultural festival and have a coordinating role in other HHI festivals and special events. It should coordinate inclusive programming to serve all of the Island’s diverse residents. It should form and foster the development of a collaborative marketing program, including a master calendar of cultural events. The Commission should work to expand private arts philanthropy in Hilton Head Island. They should advise the Town Council on the acquisition and placement of public art. Finally, they should be the lead agency in planning for long-term cultural facility development.

As a volunteer organization, they cannot undertake these many activities without staff support. During the initial period, this support could be from a reallocation of existing staff, perhaps aggregating with other town functions. Eventually, however, the workload will grow to the point where dedicated full-time staff will be required. At that point, the town should consider employing a professional arts administrator to lead the Office of Cultural Affairs.

1.d. Develop and coordinate a signature international arts and cultural festival.

Throughout the research process there were numerous expressions by elected officials, community leadership, residents and arts organizations about promoting Hilton Head Island as an international cultural destination. Cities such as Charleston, Santa Fe, Scottsdale, Carmel, Vail, Park City, Miami Beach, and others that have built this approach into their ‘DNA’ were often cited as examples to emulate. Often this success has been achieved through an international festival (examples include Spoleto in Charleston and Art Basel in Miami). As a highly desirable resort destination, Hilton Head Island has many positive attributes that would support such an enterprise. It has quality

resorts and hotel properties. It has several local professional arts organizations that could contribute programming and expertise.

Creation of a successful international arts festival takes time and depends on a number of important factors. Requirements include resources for programming and promotion; high quality presentation venues; visionary artistic leadership; a compelling theme that will capture the imagination; and a committed group of local leaders and patrons who will personally invest over an extended period of time and seek funds from others to invest in building and maintaining the festival.

At present, the lack of high quality, well-equipped cultural venues most likely represents the greatest barrier to launching an international festival program. For that reason, it may be necessary to begin with a modest, but very high quality effort, perhaps building on the Hilton Head Symphony's very successful international piano competition, utilizing the full capacities of the Arts Center of Coastal Carolina, Seahawk Cultural Center and other venues currently recognized for cultural activity, as well as outdoor venues such as Honey Horn. Additionally, there may be an opportunity to incorporate and build upon the current fledgling efforts of the Hilton Head Institute as a core of highly committed volunteers and supporters as it is already focused on such an effort. It is also an opportunity to foster coordination and collaboration within the arts and cultural community and provide a high visibility function for the Office of Arts and Culture.

1.e. Encourage the development of inclusive programming, serving all ethnic and cultural groups, and low-income residents.

We live in an increasingly diverse, multi-cultural society, which is certainly reflected on Hilton Head Island. Sixteen percent of the Islands' population is Hispanic and eight percent are African-American. There is also great diversity in educational attainment, economic circumstance, sexual orientation, cultural background and family makeup. An important role for the Office of Cultural Affairs is to ensure that the arts and cultural programs and activities available on Hilton Head Island serve the needs of all the residents, workers and visitors. This can be accomplished through direct programming and by targeted allocation of town funding.

"Would like to see more affordability opportunities for low to medium income families. Especially family with children."

"There needs to be much more available to children and teens, residents and visitors."

-Resident comments from the community survey

Goal 2

To ensure that local cultural organizations and artists have sustainable funding support for their programs and activities.

2.a. Modify the process of allocating ATAC funding for the arts.

Virtually all of the current arts funding from the Town of Hilton Head Island derives from the ATAC fund. This fund distributes accommodations tax monies. These funds are derived from visitors to Hilton Head Island and are not a burden on the citizens of HHI. The distribution of this money is governed by state statute (Chapter 4 of Title 6 of the South Carolina Code of Laws⁷ under the following formula: The first \$25,000 plus 5% flows into the Town's General Fund (this currently amounts to approximately \$900,000 annually). Thirty percent is used for destination promotion and 65% is allocated for marketing. The current hotel tax rate is 10%, while the national average is 12%. It should be noted that aligning the local tax with the national average would annually yield an additional \$3 million.

Arts groups receive funding from the marketing provision, the primary criterion for which is the attraction of tourists and visitors, rather than services in support of the quality of life for residents and workers. It should be noted that there are varying interpretations of allowable uses of funds. Relevant sections of the statute stipulates in Section 6-4-10.4(b) #2 and #3 that funds may be used to support "promotion of the arts and cultural events" and "construction, maintenance, and operation of facilities for civic and cultural activities including construction and maintenance of access and other nearby roads and utilities for the facilities." In interviews with members of the ATAC Advisory Committee, some indicated that funds must solely be measured through the lens of attracting tourists with a particular interpretation of "promotion" and apply this directly to marketing expenditures. Others interpret the statute to allow general funding of arts and culture as promoting the health and well being of the organizations in support of tourism and attracting visitors.

A review of ATAC allocations in Columbia, Myrtle Beach and Charleston suggest a mix of allocations in support of general operations of organizations as well as marketing-specific efforts. It appears each community has developed their own interpretation appropriate to their individual community needs and the existing arts and culture ecology.

It is recommended that a review of the prevailing law be considered by the ATAC Advisory Committee to re-define a set of criteria that is clear and consistently applied. In particular, it is recommended that the committee consider that the emphasis on

⁷ Current prevailing law is available at <http://www.scstatehouse.gov/code/t06c004.php>.

tourism development as measured by visitor/tourist metrics has caused local groups to tilt their program and artistic offerings to fit the guidelines as well as report on participation that is beyond their capacities and not realistically reflecting their audiences. While the larger institutions have the infrastructure and organizational wherewithal to track audiences and report tourism impact, the volunteer-led, community based organizations essentially do not.

Another problem is that the two-tiered allocation system – review and recommendation by the ATAC Committee with final review and adjustment by Town Council – places arts funding into a political process that pits groups against one another in a seemingly “zero sum” game. This has led to the largely erroneous perception that the cultural organizations do not cooperate and collaborate with one another.

A relatively simple modification of the ATAC process supported by a directive to the Advisory Committee from Town Council and the Mayor can resolve many of the issues that were apparent throughout the research process.

One approach would be to deemphasize the tourism attraction criterion for arts groups, particularly the smaller, community based organizations.

A more appropriate and efficient approach would be to consider an agreement whereby those organizations that have the capacity to meet existing criteria (and have done so consistently), continue to apply to ATAC under existing guidelines. It is likely this will apply to the largest organizations with the greatest level of infrastructure, specifically the Arts Center of Coastal Carolina; The Hilton Head Symphony; The Coastal Discovery Museum; and The Sandbox.

In addition, set aside a modest designated pool of funds for distribution to community-based and volunteer led organizations that lack the staffing and systems capacity to fully track and focus their efforts purely on metrics of tourism. The focus of these resources would be in support of quality of programming instead of marketing thus providing these organizations with the resources to sustain their work as a benefit to the community as well as tourists, and essentially supporting a broader, healthy ecology of cultural activity.

It is recommended that grant criteria be simplified within a range tied to annual budgets or direct program costs. Allocations or grants would likely range from \$2,500 to \$15,000 annually and be drawn from a specific set-aside from the ATAC pool estimated between \$150,000 and \$200,000. Ideally, management of any such grants would be overseen by the Office of Cultural Affairs through an independent review panel, though it is recognized there may be restrictions in the structure of prevailing legislation that may prevent this. It is recommended though that the possibility of such a set aside be reviewed by the leadership of the ATAC Advisory Council and Town leadership and explored under prevailing legislation.

2.b. Identify cultural funding independent from the ATAC process, supported through a dedicated revenue stream that provides resources for the Office of Cultural Affairs and supports an annual program for organizational support.

As discussed above, arts and cultural organizations traditionally rely on a mix of earned income, government support and private philanthropy to underwrite their operations. Hilton Head Island's groups have an excellent record in ticket sales and other earned income. Public funding is limited, as has been noted. One of the areas of greatest challenge is private philanthropy, which includes foundation funding, business and corporate underwriting and individual donors.

There are relatively few private foundations on Hilton Head Island that distribute money to local arts and cultural organizations. This is particularly evident when noting that foundations account for approximately 1.5% of revenues for the 13 organizations providing recent financial data. This is far lower than the national average of 9% of total revenues⁸.

Likewise, Hilton Head Island has no major corporate headquarters and most businesses, other than the resorts and some real estate developers, are small businesses. These enterprises have reportedly been generous, as reflected in the financial profile above, but have limited means or flexibility to support an active and vibrant arts ecosystem.

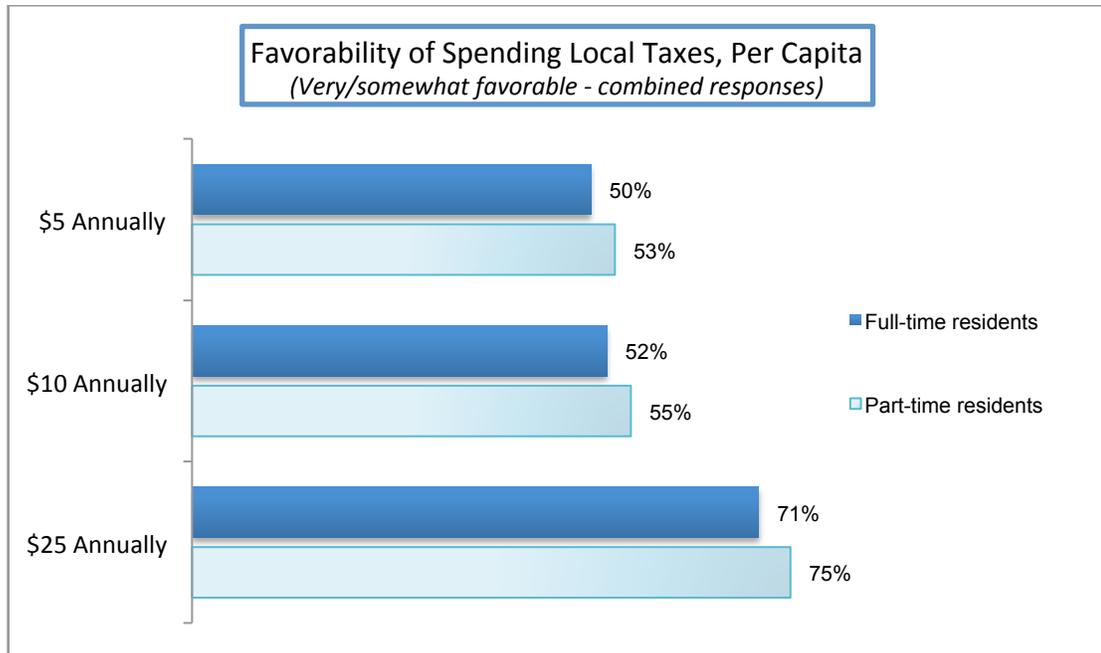
That leaves individual donors. There is no question that Hilton Head Island has many affluent, and in many cases, wealthy individuals and that based on the reporting from the 13 local organizations they have been generous, representing over 17% of total revenues in FY12. And some of these persons have made significant contributions to favored cultural institutions and continue to support them on an annual basis.

On the other hand, private giving appears not to be commensurate with the wealth in the community and the quality and number of cultural institutions. This may derive from the fact that many of the well-to-do individuals are transplants from other places, where their charitable loyalties may lie. It could also result in part in the nature of Hilton Head Island, with numerous planned communities and no identifiable town center. It may be that this does not engender the sense of civic pride that is seen in many cities.

These realities may suggest that a sustainable arts and cultural ecology on Hilton Head Island may rely more heavily on the public sector – the Town – to achieve a satisfactory level of stability. The question is whether the community has the political will to provide a higher level of taxpayer support. The results of the planning assessment indicate that they would. In the community conversations, through the community survey and in individual and group interviews, there was a clear indication of strong support for a financial support role for the Town beyond the existing ATAC mechanism (which is not

⁸ Based on data provided by the Foundation Center aggregate fiscal data for the most recently available fiscal year (2011). <http://data.foundationcenter.org>.

derived from a tax on residents and workers). Of particular note was extremely high support in the community survey when respondents were asked about their favorability of an annual tax or assessment to support arts and culture. Per capita levels of \$5, \$10 and \$25 were presented as options. The highest favorability, 71% of residents who responded, was for \$25 annually, particularly with those reporting household incomes above \$50,000.



The most important purpose of having a lively arts scene is to serve the needs of local residents and workers. While visitors are an important audience for arts events, they are a secondary target audience to Hilton Head Island residents and workers. This best serves the current and potential cultural programs and activities deserving support which are not focused on tourism: arts education, most heritage programs, local festivals and celebrations, individual artist support, public art, and other programs.

Strategies for dedicated resources

In many communities, funding for operating and project support for cultural organizations and artists originates from the General Fund. There are additional strategies to be considered.

As noted above, each one-percent increase in the accommodations tax yields \$1.5 million. Conceivably, if such an increase were dedicated to arts funding, the cultural groups could be separated from the ATAC process entirely, with the arts funding being allocated by the proposed Office of Cultural Affairs. This would require approval from the State but may be worth consideration and exploration.

Other approaches can also be considered. In Salt Lake County, UT, arts funding comes in part from a surcharge on automobile rentals. Scottsdale, AZ is considering a \$1 per round golf surcharge.

Two specific strategies were commonly suggested throughout the research process.

- One is for a ¼% increase in the real estate transfer tax.
- The second most commonly suggested strategy was a small increase in the property tax millage, well within the existing authority for the Town.

Either strategy requires additional research as information on the potential for either of these strategies was not readily available. However, it is an appropriate role of an Office of Cultural Affairs and the Arts Commission to fully research and consider potential dedicated funding strategies.

As discussed in other sections of this report, there are three tiers of arts organizations on Hilton Head Island. The three largest institutions represent 80% of the fiscal and organizational activity. These three organizations have budgets ranging from approximately \$1M to \$3.6. A second tier of four organizations with budgets between \$200,000 and \$350,000 represent about 14% of fiscal activity. The remaining 6% is spread among seven to ten other organizations, the vast majority of which are operated by volunteer leadership.

It is recommended that any dedicated revenue stream for arts and culture be utilized in part to support a grant program ***that serves to support this ecology while also offering opportunities for extraordinary programmatic investments and/or the opportunity to support entrepreneurial activities.*** In addition, a dedicated revenue stream would support the operations and programmatic activities of the Office of Cultural Affairs. This could provide important seed funds for developing an international festival, for instance.

Categories of support to consider include:

Institutional Support: Annual operating or programmatic grants to assure the stable operations of the largest organizations while providing support for programmatic depth and exploration.

Operating Support Program: Intended for mid-size and smaller organizations to continue their work, to take artistic and programmatic risks, and to build organizational

capacity. Though several Hilton Head Island arts organizations are fully professional, with paid staff, most are community-based, volunteer-led groups. As such, they may or may not possess the experience and skills needed to be an effectively run nonprofit organization. Organizational support should be flexible with funds available for general operations, targeted to specific technical assistance and capacity-building, or direct program support.

Special Opportunities: Setting aside funds annually to invest in special opportunities or one-time programs provides an incentive for arts and culture organizations to develop extraordinary programs. A special opportunities fund *should not* be seen as annual operating, but a resource to spur on entrepreneurial activity, to develop innovative programs, and in special circumstances to build programmatic or organizational capacity. It is suggested this fund be focused on one or two opportunities each year/cycle and be open to existing arts organizations, other organizations providing or considering cultural programming, as well as one-time projects presented by non-cultural organizations.

Goal 3

To provide an appropriate mix of high-quality, well-equipped arts facilities and venues.

For a community of 38,000 residents, Hilton Head Island has a rich mix of arts and cultural organizations, including several which produce professional quality work. They have accomplished a great deal with limited facilities in the community. The two primary performing arts facilities on Hilton Head Island - The Arts Center of Coastal Carolina and the Seahawk Cultural Center – are both viable and highly used facilities but are inadequate to the full needs of the community. The Arts Center is discussed in detail below. The primary use of Seahawk Cultural Center is appropriately for educational purposes, though it is available on a limited rental basis for other uses in the community.

Cultural facilities serve several purposes. They are, first and foremost, venues for the presentation and exhibition of art and for the entertainment of patrons. At the same time, they are also artistic and cultural development “tools”. For the cultural organizations in any community to grow and develop artistically and organizationally, a mix of facilities with varying sizes and technical capacities are needed.

As the Town of Hilton Head Island considers the issues of facilities for arts and culture it needs to consider the short-term, immediate issues, particularly with the Arts Center of Coastal Carolina, while planning for longer-term needs. Following is an assessment of the Arts Center of Coastal Carolina followed by recommendations in relation to the Arts Center as well as longer-term facilities planning.

The Arts Center of Coastal Carolina

A primary charge of this planning process was an assessment of the Arts Center of Coastal Carolina (ACCC). Questions posed for this project included a review of the current state of the ACCC and an assessment of the veracity of their business model. Extensive discussions have been taking place in the community regarding the financial state of the ACCC and in particular the substantial backlog of deferred maintenance. Additionally, the consultants have been asked to recommend an appropriate role for the Town of Hilton Head Island with the Arts Center in relation to the immediate physical plant issues as well as ongoing operations. The assessment process included:

- A comprehensive review of financial documents for the four most recently completed fiscal years and a general review of financial statements from FY1999 through FY2012 based on available documentation.
- A review of the Arts Center business model for the past three fiscal years.
- A review of programmatic history, current and planned programs.
- A review of attendance history.
- A review of deferred maintenance plans, assessments and repair estimates.
- A review of staffing history and salary history.
- Extensive individual interviews with the staff and board leadership of the Arts Center.
- Interviews with arts and culture leadership regarding their relationship with ACCC.
- Individual and group interviews with community and philanthropic leaders.
- A tour of the facility and surrounding grounds.

The focus of programming at the Arts Center is producing an annual series of high quality, professional theater under a Standard Contract with Actors Equity Association (Equity). While professional theater may be interpreted in a number of ways, a generally accepted professional standard is producing within the contractual outline for artists established by Equity. The Arts Center is somewhat of a hybrid organization though in that it also serves as an independent presenter of music, dance and theater. The Arts Center co-presents and co-produces with other organizations in the community including arts productions and presentations as well as several festivals. It has an extensive history of operating classes and educational outreach programs though those programs have recently been curtailed because of financial constraints.

Two additional arts organizations are currently operating out of the Arts Center – The Art League of Hilton Head Island and the Island School Council on the Arts. Both have offices in the Arts Center and the Art League has their primary exhibition space in the Arts Center gallery.

The Arts Center also serves as a rental venue for local and regional organizations. It should be noted that the South Carolina Repertory Company has recently announced they are closing upon completion of their performance season in May 2014. The artistic directors of SCRT have been invited by the ACCC to continue to produce work on a project basis under the aegis of the ACCC so that their particular artistic niche of theater remains available in the community.

Based on a review of all publicly available data as well as extensive internal documentation provided to the consultants, it is our assessment that the Arts Center of Coastal Carolina operates well within national norms. The staffing structure is typical of operations of a similar budget size, particularly in artistic operations, and, indeed it currently operates with a smaller administrative structure than normal.

Their ratio of earned-to-contributed revenue (53%/47% in FY12) is nearly an identical reflection of national statistics for not-for-profit theater.⁹

Even with strong annual attendance and a strong revenue mix, the ACCC has, however, struggled to fully meet the costs of maintaining a high level of professional programming and also covering operating the facility, depreciation, interest and non-operating expenses. In a review of sixteen years of financial data, the Arts Center has seen a modest loss on operations in eleven of the sixteen years – which includes the cost of facility operations but not capital investments and upgrades. Factoring in depreciation and interest they have experienced a net loss in all sixteen years.

It is considered a best practice in the nonprofit industry to include in annual budgets the cost of depreciation as part of the operating budget. It is a primary tenet of appropriately capitalizing facilities for the long-term though in an industry that has highly constrained capitalization, it is often difficult to maintain this practice. It is far more common to re-capitalize in varying intervals through specific campaigns targeted at facility, program, or other needs. In a 2007 study by TDC of Boston (<https://www.tdcorp.org>), entitled *Beyond Break Even: Why Capitalization Matters*,¹⁰ author Susan Nelson defines capitalization as “the accumulation and application of resources to support the achievement of an organization’s mission over time.” In this study Ms. Nelson makes the distinction between operating and working capital and the need for assets for long-term stewardship of a facility. She makes the clear distinction between a focused balance-sheet strategy in planning that builds capital over time – the ideal – versus the common practice of a zero-based annual budgeting process that only covers program and operations. It is notable that in the universe of 150 organizations reviewed for the study that 75% had weak balance sheets and highly constrained capital structures. So while a balance sheet strategy is considered a best practice, it is difficult to achieve in the arts and culture field, particularly in the past several years of economic challenges. The Arts Center of Coastal Carolina is in this sense typical.

⁹ Based on a review of *TCG Theatre Facts: 2012* and specifically estimates on a universe of 1,782 nonprofit theaters in the United States. http://www.tcg.org/pdfs/tools/TCG_TheatreFacts_2012.pdf.

¹⁰ <http://www.tdcorp.org/pubs/default.asp?sub=studies>

It appears from all available documentation that the Arts Center of Coastal Carolina has not engaged in a balance sheet strategy from the very beginning. From the outset it appears there has been a structural deficit that was accepted as the norm and it is not isolated to any specific administration or Board leadership. This practice, in place since the launch of the Arts Center, is now reaching a critical point. It is worth noting that based on conversations with executive and board leadership that there is a clear understanding of the need to change this practice, while facing the reality that the ACCC is near the point of overwhelming needs threatening its ability to operate.

While the financial practices are not unusual, particularly given the economic conditions of the past six years, the result has been an extensive backlog of deferred maintenance that now exceeds \$3.1M. This is well documented and supported by several external evaluations and construction/repair estimates. It is not coincidental that the backlog is analogous to the unfunded depreciation over the past seventeen years, particularly when paired with the outstanding credit/bank loans carried by the ACCC. It is also not coincidental that many of the physical plant systems requiring replacement and upgrading are considered to have a 20-year life span. The Arts Center is on the cusp of that 20-year point and systems replacement is reaching a critical point that is threatening the ability to fully deliver programs and the overall financial health of the organization.

A patchwork or piecemeal approach to addressing the backlog of physical plant replacements, repairs and upgrades is likely to exacerbate the situation and threaten the viability of continued operations.

In addition to the immediate critical physical plant needs, the Arts Center annually faces an operating cost of the facility representing approximately 12% of their budget. These costs rise annually by 2 to 3%, in line with inflation.

Some notable facts regarding the ACCC:

- The Arts Center operating budget represents more than 50% of all fiscal activity in the arts and culture community on Hilton Head Island.
- Trends indicate it has steadily served a significant annual audience just shy of 60,000 people, a per capita utilization of 1.5 visits per year.
- While attendance varies based on specific programs, overall the ACCC has an extremely high percentage of seats sold for its programs. It is not unusual to see performances above 90% sold and at times at full occupancy.

It is notable that the ACCC has managed to consistently produce and present an outstanding roster of programs and maintain high artistic quality given the financial constraints. There is strong evidence of public demand and further evidence of individual support by the community.

The ACCC recently completed a \$5M capital campaign entitled *Arts Now!* This campaign was conceived of and completed in just 15 months – an extraordinary accomplishment for an organization the size and scope of the Arts Center and more so during a constrained economy. This speaks to the commitment of its Board and patrons and the community in general. The campaign resulted in pledges of \$5,219,076.

A modest portion of these pledges are restricted to endowment funds while the remainder of pledges are unrestricted and may be used towards operations, debt retirement and facility. Approximately 20% of pledges have been received as of the end of 2013 and applied primarily to ongoing operations and some reduction in outstanding bank debt. A small amount has been restricted to endowment. The remaining 80% of pledges are anticipated over a seven to nine-year payout. Approximately 44% of pledges in the campaign were made as planned gifts resulting in the long-term payout of pledges. As a result these funds are not immediately available to the Arts Center and will arrive over quite an extended period.

It is not unusual in capital campaigns to borrow against pledges. This occurs most often in the form of construction loans tied to new construction or renovation. It is our observation that this is an unlikely possibility given the highly restrained balance sheet and the existing bank loans and credit facility utilized by the Arts Center.

The Arts Center of Coastal Carolina is a vital part of the cultural life on Hilton Head Island. They have maintained a robust program that has wide appeal, a mix of programming that serves a broad and diverse audience, and has consistently received strong support from individuals.

The need to recapitalize the Arts Center, and in particular to repair, update and upgrade the physical plant is at a critical point. The factors that have contributed to the current circumstances are numerous. The financial strategy that has been in place since the opening of the Center has to be addressed but the cumulative result has significant implications that requires immediate resolution and requires a strong, community-wide response.

The Arts Center is under extreme distress, operating with a significantly reduced staff, but continuing to deliver high quality programming that is being well received and in demand by the residents, workers and visitors. Discussions of future needs cannot be productive while the imminent threat of the facility reaching a point of failure is looming.

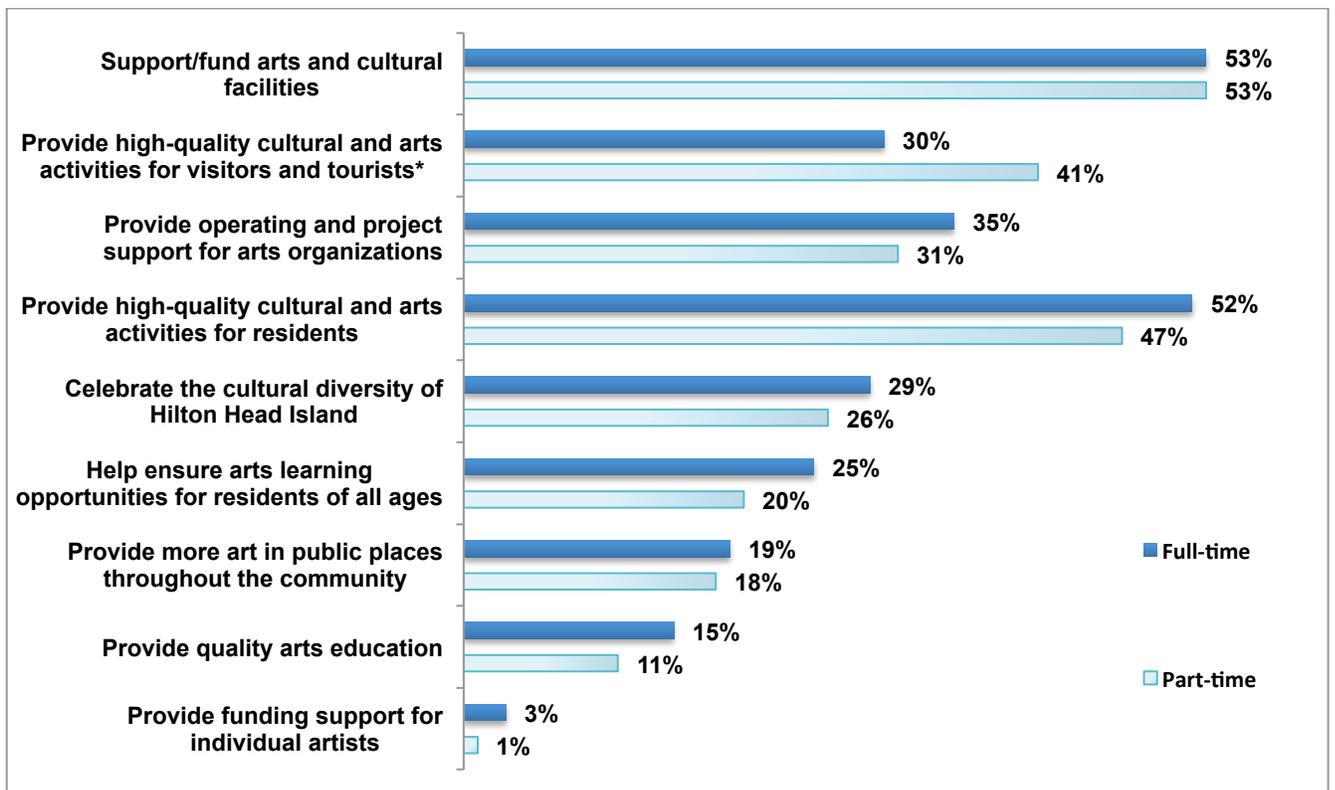
The following recommendations are presented as a means to:

- Address immediate issues;
- Stabilize the Arts Center; and
- Allow discussions on development of arts and culture on Hilton Head Island to focus on future needs and not be burdened by the immediate demands.

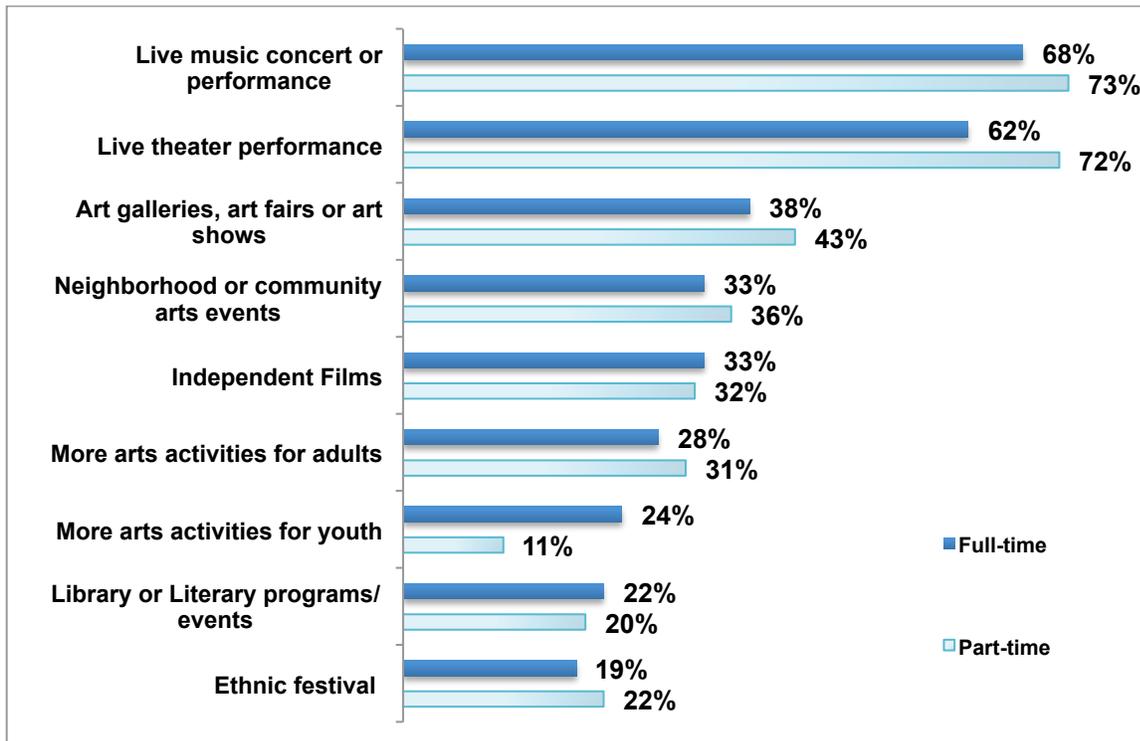
Based on the research conducted through community engagement in this project, there is public support of the Town of Hilton Head Island providing funding for the Arts Center, although, the subject is somewhat polarizing. Many residents expressed concern with investing Town dollars

into the Arts Center. When asked in the community survey “What should the Town focus on” in regards to arts and culture, the highest response from full and part-time residents was “support and fund arts and cultural facilities, as illustrated in the chart below. The respondents clearly want to be able to enjoy great Hilton Head Island facilities, although this does not directly translate to an indication of financial support for the Arts Center. Dialogues at community meetings and interviews focused on the exploration of workable solutions for the Arts Center. Participants clearly want to see the Arts Center succeed, providing the community with a great venue, although the strategies residents support to this sustainable success are less clear.

Additionally, the survey respondents indicated a high preference to see more live music and theater in the community.



What (survey) respondents want to see more of...



Recommendations – Arts Center of Coastal Carolina

Throughout the research process there was evidence of support for the Town of Hilton Head to intervene in the deferred maintenance backlog of the Arts Center. Suggestions ranged from an outright purchase of the property, to an investment to upgrade/update the building, to dedicating support towards the annual cost of operating the facility. Ultimately, support for the Town of Hilton Head to intervene in the current physical plant challenges was strong though there were numerous expressions of the need to require certain contingencies and requirements of the Arts Center before support would be considered. Based on an evaluation of interviews and discussions with civic leaders, elected representatives and municipal leadership, the recommended strategy is presented below.

- A. The Town of Hilton Head Island invest \$3.0M in the physical plant with the explicit goal of repairing, upgrading and replacing failing systems and infrastructure.

This investment could be supported through one or a combination of these mechanisms:

- Use of existing bonding authority for the Town of Hilton Head.
- Allocation of General Fund resources over a period of one to three years.
- Issuance of a capital bond through the authority of ATAC as allowed by governing legislation.

- B. Consideration of an additional allocation of \$500,000 to be set aside for contingencies and as an initial infusion to establish a physical plant fund for future repairs and replacements.

- C. Contingencies/Requirements;

- It is recommended that the Town retain authority for approval and disbursement of all funds for capital improvements/upgrades and that a liaison be appointed to coordinate all efforts with the Arts Center management and board.
- The allocation for on-going contingencies (B, above) be established only when the Board of Directors of ACCC matches the set-aside funds of \$500,000 within 12 to 18 months. It would then be established as a restricted facility fund of \$1M that is invested and held by the Town of Hilton Head Island with an annual payout up to 5% designated to ongoing physical plant repairs and replacements. This fund would be restricted to substantive capital requirements to minimize a renewed backlog of deferred maintenance, and not to be used for ongoing maintenance.
- The Arts Center of Coastal Carolina could benefit from a comprehensive strategic planning process to examine their business,

programmatic and usage model as well as audience demand and long-term capital and financial planning. While the charge of this project was an assessment of Arts Center operations, it is not a substitute for extensive operations or master facilities plans. As a contingency of public investment it is recommended the Town require the Arts Center engage in a comprehensive strategic planning process and a 10-year master facilities plan with accompanying financial *pro formas* focused on shifting the financial operations away from a structural deficit model and strengthening the balance sheet. The costs of a fully credible strategic planning process and a facility master plan are estimated at \$65,000 and \$35,000 respectively. It is recommended that the Town require the Arts Center to engage in both forms of planning and evenly share the cost as co-client in the process.

It is worth noting that management of these recommendations is an appropriate first task of the Office of Cultural Affairs.

Long-Term Venue Development

Throughout the research process it was generally agreed among all sources of input that there is a shortage of cultural venues in Hilton Head Island. The original plans for the Art Center of Carolina included a much larger venue with seating of 1,000 or so. Available funding at the time did not allow for its construction. At 349 seats, the Arts Center cannot accommodate organizations such as the Hilton Head Island Symphony, the International Piano Competition or the Hilton Head Island Choral Society. Additionally, 349 seats is not adequate to attract a much broader range of touring programs that require more extensive technical capabilities as well as sufficient seats to make such endeavors financially feasible. The Symphony and Chorale Society currently performs in the local Presbyterian Church, which is inadequate for their needs in terms of sight lines, acoustics and patron comfort. In addition, the lack of facilities stands as a hindrance to the expressed desires for a major, international signature festival.

If the arts on Hilton Head Island are to continue to develop, a long-term strategy for cultural facility development must be created. Needs have been expressed for a quality music performance hall that ranged from 700 to 1,500 seats. Some have called for the construction of an outdoor amphitheater. Community Visions has developed a plan for a hybrid facility (indoor/outdoor) of 1,500 seats indoor opening at the back of the stage to an outdoor pavilion that can seat 5,000.

With the exception of the gallery at the Arts Center, there is a lack of visual art exhibition spaces. The Mitchelville Preservation Project and Gullah Museum have unrealized plans to develop their projects. The cost of real estate in Hilton Head Island suggests there may be the need to develop artist live-work space and an exhibition venue at some point in the future, both of which are key elements in any economic development strategy.

The Town has an important role to play in the provision of cultural facilities. Typically, development of major performing arts and exhibition venues are led by the municipality and supported with significant private philanthropy. As noted in the benchmarking section of this report, nearly all municipalities studied own, operate and/or developed their cultural facilities.

Cultural venues are expensive. They are expensive to build. They are expensive to operate and maintain. And, they are almost never self-supporting, but require private donations and government subsidy. As noted above, local cultural groups have an excellent record in generating earned income, primarily through ticket sales. Several groups have had some success in garnering support from individual donors, but private support from other sources has not developed to the same degree. There are few local, private foundations that contribute to the arts in any significant way. Many of the individual donors (who are often transplants from other places) continue to make their philanthropic gifts in their cities of origin. At the same time, Hilton Head Island has few corporate headquarters and none with major giving programs. Likewise, there are few major businesses with the exception of the resorts and real estate developers, each of which tend to be insular in their interests. This suggests that the town will need to take a significant role in building, operating and maintaining any cultural facilities. This is not to suggest that the town has to be the sole source of support, but a major contribution will be needed.

Where, then, will these resources be found? Experience has shown that reliance on municipal general fund monies can be uncertain at best. Fluctuations in the economy and the resulting tax revenues make it difficult to consider the general fund as a reliable, predictable source of funding for cultural facilities. A better strategy would be to identify a dedicated funding stream for these purposes. This funding stream should be adequate not only to fund annual facility operations and maintenance, but should also be sufficient to amortize bonds needed for the design and construction of these venues.

One option that the Town might consider is to utilize the recently acquired golf course to leverage private support for cultural facility development. If the Town decides to work with a private developer with this 110-acre property, negotiations might include a requirement that the developer fund, wholly or in part, one or more arts buildings on the site. Some have called for a “cultural campus”. Perhaps this site could be considered for that purpose.

It is recommended through the Office of Cultural Affairs that the Town of Hilton Head Island:

- Include in the portfolio of the OCA a priority to develop a master arts facilities plan. The OCA can serve as the primary coordinator of planning and research efforts. As indicated there are several existing concepts and research to draw on. Central coordination of these discussions would benefit from a focused effort by an Office of Cultural Affairs.
- Set aside a designated portion of a dedicated revenue source should it be initiated to provide the resources to support cultural venue development. Over

time these funds may shift from development to ongoing maintenance and operations.

Main Street Theater

The 9,800 square-foot, 230-seat-facility, is a former movie theater on Main Street that currently houses the Main Street Youth Theater. It has been offered as a donation for cultural use by its owner, James Bradshaw. It is currently rented to the Main Street Youth Theater for 27 weeks per year, at a cost of \$36,000 annually, plus utilities. The owner and associated partners intends on divesting their ownership of the building in calendar year 2014, which has an estimated value between \$1.2 and \$1.8 million.

There are indications that needed repairs are somewhere between \$100,000 – \$250,000 though this would require an appropriate engineering study and due diligence to determine the condition and capital needs. No specific studies have been reviewed for this project.

Though the Town has been hesitant in the past to consider the donation of this building and property, the owners have indicated a continuing willingness to transfer ownership to the City. They intend on completing any donation in calendar year 2014 – time is of the essence in this matter.

The owners have currently been in discussions with the Community Foundation of the Low Country as an alternative recipient of the donation. It is clear that if no arrangement can be made to facilitate the donation locally, the building and property will be donated to another nonprofit (who is not local) that would sell the property. If this occurs, it is very likely that the facility will be sold and cease to be available as a cultural venue. This would only exacerbate the lack of arts venues on Hilton Head Island.

A primary barrier to moving forward with discussions has been an appropriate operator of the facility and developing an operating model. Though the Main Street Youth Theater would like to continue operations in this facility, they do not have the financial or personnel resources to acquire the building themselves, nor do they seem to have the capacity to support its ongoing operations and maintenance. However, without a facility, it is possible that this organization would find it difficult to continue operations.

Recommendations - Main Street Theater

1. Engage in active discussions immediately with James Bradshaw on the donation of the building.
2. Conduct an engineering study and review records provided by Mr. Bradshaw to fully study the building to determine its current condition and any investment required to upgrade the physical plant.
3. Explore the interest of the Recreation Center as managers and operators of the facility.

- This independent organization has the wherewithal, knowledge and experience in operating multi-use facilities for community use.
 - The organization has strong leadership in place that understands the potential demands of operating the facility.
 - The Recreation Center works with multiple constituents across Hilton Head Island and has the potential for utilizing the facility for cultural and youth programming of their own as well as serving as a manager for rental usage.
4. Provide resources to the Recreation Center to develop a comprehensive business plan for the Main Street Theater that examines potential rental demand, potential programming by the Recreation Center, other external and community uses and development of operating budgets. It is estimated that engaging an external firm to develop a business/operations plan would range in cost from \$20,000 - \$30,000.

Hilton Head Island has a severe shortage of cultural venues. It would be unfortunate if this theater were lost to the arts and other community uses. The building is currently underutilized and full usage would allow for other organizations to perform and present there and programs to be presented that benefit a broad range of community members. It certainly could be used by other smaller performing groups and would, with some minimal investment, be suitable for film series. It is recommended that the Town seriously consider accepting ownership of this building.

Implementation Grid

GOALS/Strategies		Lead Entity	Partners	Timetable	Financial Resources	Other Resources	Initial Steps Notes
Goal 1	Establish an Office of Cultural Affairs (OCA) to foster cultural arts activity						
1a	Establish an Arts Commission to support and advise the work of the Office of Cultural Affairs	Town Council		2014			
1b	Develop a marketing collaborative to leverage arts marketing of local cultural programs and activities	OCA	Nonprofit arts groups ATAC Committee Chamber of Commerce	2014		Staff time	
1c	Provide adequate staff support for the Arts Commission						
1d	Develop and coordinate a signature international arts and cultural festival	OCA	Nonprofit Arts Groups TAAC Committee Chamber of Commerce Local businesses/resorts	Planning: 2014-2015, aiming for the first program in 2016	Initial seed funds of \$125,000 to \$250,000 to be matched by private sponsors/donors	Staff time	
1e	Encourage the development of inclusive programming, serving all ethnic and cultural groups, and low income residents	OCA	Nonprofit arts groups	Planning: 2014 Programming: 2015 forward	\$50,000 annually, public and private	Staff time	

GOALS/Strategies		Lead Entity	Partners	Timetable	Financial Resources	Other Resources	Initial Steps Notes
Goal 2	Ensure that local cultural organizations and artists have sustainable funding support for their programs and activities						
2a	Modify the process of allocating ATAC	Town Council	ATAC Committee	2015	Current level of support for local arts groups that serve tourists and visitors		
2b	Identify cultural funding independent from the ATAC process, supported through a dedicated revenue stream that provides resources for the Office of Cultural Affairs and supports an annual program for organizational support.	Town Council	OCA	2015	\$500,000 - \$750,000 annually	Staff time	Potential funding sources included a 1/4% increase in the real estate transfer tax and/or a small property tax millage increase. These funds will support the activities of the Arts Commission.

GOALS/Strategies	Lead Entity	Partners	Timetable	Financial Resources	Other Resources	Initial Steps Notes
Goal 3	Address short-term and long-term arts facility needs on Hilton Head Island					
3a	Stabilize the Arts Center of Coastal Carolina (ACCC)	Town Council	ACCC	2014	\$3.5 million	\$3 million for repairs and deferred maintenance; \$0.5 million for ongoing physical plant fund
3b	Contract to develop a comprehensive strategic plan and master facilities plan for ACCC	Town Council	ACCC	2014	\$65,000 for strategic planning and \$35,000 for master facilities plan, shared evenly by the Town and ACCC	Independent consultant Identify and contract with organizational planning consultant and separately with a facilities master planner. Town and ACCC to be co-clients for the planning process. Goal of plan to be developed is to focus on a business and programmatic model that is sustainable with a full integration of all programming and facility operational costs.
3c	Ensure that the Main Street Theater continues to operate as a cultural and community venue	Town Council	James Bradshaw	2014	Existing engineering staff of Town for facility assessment/due diligence.	Staff time
3d	Initiate negotiations with James Bradshaw.	Town Manager	James Bradshaw Community Foundation	2014		Staff time Discussions/negotiations to begin no later than May 15 th , 2014 with the intent of completing the process by the end of the calendar year.
3e	Conduct engineering and condition study of the Main Street theater	Town Manager		2014		Town engineering staff
3f	Explore management agreement with the Recreation Center	Town Manager	Recreation Center		\$20,000 for facilities management and operating plan	
3g	Develop a longterm cultural facilities master plan, to include an outdoor amphitheater and a midsized multi-use performing arts center	Town Council	OCA Planning consultant Local arts groups	2014 - 2015	\$100,000 for master plan consultant, additional if architectural concepts are desired.	Staff time
3h	Enact a dedicated revenue source to provide an income stream to support cultural venue development and to provide for ongoing maintenance and operations.	Town Council	OCA City Attorney Private partners	2015 or 2016 and beyond	TBD	Staff time

Implementation Timeline/10-Year Horizon

GOALS/Strategies		Near Term 2014	Near Term 2015	Near Term 2016	Mid Term 2017-2020	Long Term 2021-2024
Goal 1	Establish an Office of Cultural Affairs (OCA) to foster cultural arts activity	Immediate, first step that is the catalyst for all strategies				
1a	Establish an Arts Commission to support and advise the work of the Office of Cultural Affairs		By 1/1/15			
1b	Develop a marketing collaborative to leverage arts marketing of local cultural programs and activities		Within 2015 as a first step in working with the arts community			
1c	Provide adequate staff support for the Arts Commission	Designated at beginning of implementation				
1d	Develop and coordinate a signature international arts and cultural festival		Begin process and develop as a long-term strategy			
1e	Encourage the development of inclusive programming, serving all ethnic and cultural groups, and low-income residents	General charge to the OCA				
Goal 2	Ensure that local cultural organizations and artists have sustainable funding support for their programs and activities					
2a	Modify the process of allocating ATAC		For the 2015 round of allocations			
2b	Identify cultural funding independent from the ATAC process, supported through a dedicated revenue stream that provides resources for the Office of Cultural Affairs and supports an annual program for organizational support.	Begin research on dedicated revenue streams	Seek a 5-year authority for initial funding stream and establish allocation plan	Program and grant implementation		Revise and seek renewal of funding stream for an additional 5-year term
Goal 3	Address short-term and long-term arts facility needs on Hilton Head Island					
3a	Stabilize the Arts Center of Coastal Carolina (ACCC)					
3b	Contract to develop a comprehensive strategic plan and master facilities plan for ACCC	By late 2014 with a goal for completion by Fall, 2015				
3c	Ensure that the Main Street Theater continues to operate as a cultural and community venue <ul style="list-style-type: none"> • Initiate negotiations with James Bradshaw. • Conduct engineering and condition study of the Main Street Theater • Explore management agreement with the Recreation Center 	Begin negotiations by May 15, 2014.	Goal of beginning active usage by early 2015			
3g	Develop a longterm cultural facilities master plan, to include an outdoor amphitheater and a mid-sized multi-use performing arts center			Requires focus of OCA for extended period		
3h	Enact a dedicated revenue source to provide an income stream to support cultural venue development and to provide for ongoing maintenance and operations.				Consistent with cultural funding stream indicated above	

Appendix

Individual Interviewees

Members of Hilton Head Island Town Council:

Drew Laughlin, Mayor
Lee Edwards
Marc Grant
Bill Harkins, Mayor Pro-Tem
Kimberly Likins
John McCann
George Williams

Town of Hilton Head Island Staff:

Steve Riley, Town Manager
Jill Foster, Deputy Director of Community Development
Susan Simmons, Director of Finance
Bret Martin, Deputy Finance Director
Shawn Colin, Deputy Director of Community Development

Community and cultural representatives:

Michael Marks	Coastal Discovery Museum
Linda Piekut	Heritage Library
Sheri Sternitzke	Main Street Youth Theater
Don Hite	Main Street Youth Theater
Mary Briggs	Hilton Head Island Symphony Orchestra
Frank Soule	Recreation Center
Joyce Wright	Mitchelville Preservation Project
Walt Graver	Community Visions
Dan Castro	Community Visions
Robert Stenhammer	ATAC Committee Chair
Iva Welton	Arts & Cultural Council of Hilton Head Island
Jamie Gall	Art League of Hilton Head Island
Susan Thomas	Hilton Head Island Chamber of Commerce
Denise Spencer	Community Foundation of the Low Country
Lori Finger	Hilton Head Dance Theatre
John Carlyle	Hilton Head Dance Theatre
Louise Cohen	Gullah Museum
Kathleen Bateson	Arts Center of Coastal Carolina
Amanda O'Nan	Seahawk Cultural Center
Mona Huff	Hilton Head Island Choral Arts Society
Hilton Head Institute	Members of their Board of Directors
Patti Maurer	Island School Council for the Arts
Charlie Young	Native Island Business and Community Affairs Association
John Salazar	University of South Carolina – Beaufort
Jim Bradshaw	Property owner/developer
Tom Upshaw	Palmetto Electric and Chair, Economic Development Council
Jane Upshaw	Chancellor, University of South Carolina -Beaufort
Henry Haskell	South Carolina Repertory Theater
Susan DuPlessis	Sound Carolina Arts Commission
Mickey Harder	Brooks Center, Clemson University

Non-profit Arts, Cultural and Heritage Organizations

The following list of nonprofit arts, cultural and heritage organizations is drawn from the Core Business Files at the National Center for Charitable Statistics at the Urban Institute.

Name	NTEE Code
Arts Center of Coastal Carolina	A20 - Arts &
Culture Gullah Museum of Hilton Head Island, Inc.	A50 - Museums
Hilton Head Choral Society, Inc.	A6B - Singing & Choral Groups
Hilton Head Dance Theatre	A62 - Dance
Hilton Head Symphony Orchestra, Inc.	A69 - Symphony Orchestras
Mitchellville Preservation Project, Inc.	A80 - Historical Organizations
Sweet Adelines International Hilton Head Shore Notes	A6B - Singing & Choral Group
Sandbox A Hilton Head Area Children Museum, Inc.	A52 - Children's Museums
Seahawk Theater Guild	A1165 - Arts, Culture & Humanities: Single Organization Support
Society for Preservation and Encouragement of Barbershop Quartet Singing	A6B - Singing & Choral Groups
South Carolina Repertory Company	A65 - Theater
The Main Street Youth Theatre	A65 - Theater
The Performing Arts Consortium, Inc.	A68 - Music
Art League of Hilton Head Island, Inc.	A26 - Arts & Humanities Councils &
Agencies Coastal Discovery Museum	A50 - Museums
Junior Jazz Foundation	A6C - Bands & Ensembles
Island School Council of the Arts	B20 – Educational Institutions (Elementary and Secondary Education)
Embroiderers Guild of America, Inc. - Low Country Chapter	A40 - Visual Arts
Low Country Civil War Roundtable	A80 - Historical Organizations
Island Writers Network	A70 - Humanities

Attachments

- **Report on Community Engagement and Summary of Findings**
- **Arts Demand Study**

Community Engagement Results Summary

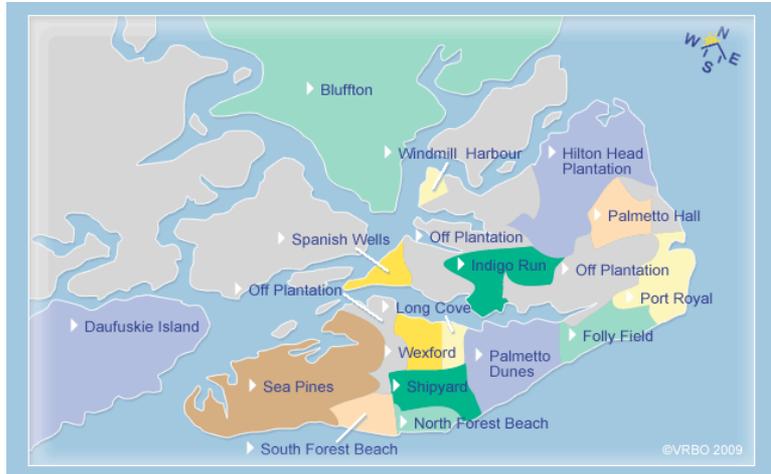
Hilton Head Island



Community Engagement Data Gathering



Engagement Summary



- **Community engagement**
 - Interviews/conversations (on site)
 - Approximately 55 individual and small group interviews
 - Community Conversations
 - 6 meetings in two days
 - Approximately 100 participants
 - Community web-based survey
 - 2,200 community participants
 - Organizational Survey

Overarching Themes



Source: [tripadvisor.com](https://www.tripadvisor.com)

- A desire to see Hilton Head Island as a destination for premiere arts and cultural experiences
- Priority is for cultural development for residents which benefits visitors and tourists
- Strong support for Town role in arts and culture
- Support for an annual tax to support the arts
- Quality of current arts and cultural offerings is perceived as high, although there is room for improvement
- Strong support for Cultural Affairs/Commission organization
- No majority support for a signature festival
- Collaboration of arts organizations exists although needs better coordination
- A need for improved communication of events and opportunity for artists to connect
- A need for more affordable arts and cultural options

Overall Top Priorities



Source: discoverblackheritage.com

- Arts and cultural development (facilities/ programs/services) for the residents
- Town defining its role in arts and culture
- History and heritage preservation
- Implementing a workable solution for the Arts Center
- More affordable options for all
- Arts and cultural environment and programming being more inclusive – age, race, ethnicity, etc.

Hilton Head Island Arts and Culture

- Building services, events, and programs for Hilton Head Island residents.
- How does the Town of Hilton Head Island shift its priorities to a broader spectrum of services for the community?

“Arts and culture is our unique differentiator from similar golf/resort communities”

“If we are going to do it let's do it the right way”

“We need total community commitment – from the residents and the Town”

Community Survey Results

Hilton Head Island

Survey Objectives

The community web-based survey is part of a multi-touch point research methodology including in-depth interviews, group discussions, community conversations, secondary research, and benchmarking. Goals of the survey are to:

- Explore visions for the future of Hilton Head Island arts and cultural landscape.
- Identify unique aspects of different communities on Hilton Head Island.
- Identify preferences for arts and cultural needs.
- Measure propensity towards government support and tax supporting arts and culture.
- Explore perceptions of how involved the Town of Hilton Head Island government should be in the fostering of cultural activities.

Survey Methodology

- The survey and all data were housed on a proprietary website and the survey link was distributed through the Town website, community contact lists, and multiple organizations' email lists.
- The survey was available to Hilton Head Island residents and workers from October 3, 2013 through November 7, 2013. A total of 2,200 respondents participated in the survey.
- Results were analyzed with Statistical Package for Social Sciences (SPSS 20.0) and are based on the responses received for each question. Significant differences are noted where applicable.
- If sample proportions varied from known proportions of age, gender, ethnicity and education levels and weighting was appropriate, data was weighted to bring sample data to an accurate projection of the Hilton Head Island population as determined by the most recent (2012) Census demographics.

Highlights

- Arts and culture is highly important to the respondents.
 - *It is significantly more important for older females*
- Live music concerts and theatre performances are top priorities for respondents regardless of gender or age of respondents.
- When minorities viewed as a group, they want to see more ethnic festivals and arts activities for adults.
- A call for more affordable and inclusive arts and cultural programming and events.
- Respondents want high quality arts events and programming.
 - *Respondents over the age of 55 support funding cultural facilities significantly more than younger respondents.*
 - *Respondents under the age of 45 support individual artist funding significantly more than older respondents.*
- Females and younger respondents report arts education as one of their top priorities for the community.

Highlights

- Majority of respondents want the Town to play a role in supporting arts and culture.
 - Females support a major or full support role for the Town significantly more than males.
- The majority of respondents support some type of annual tax to support arts and cultural activities and facilities, although those reporting incomes of \$50,000 or less are significantly less favorable to paying \$25 annually.
- When minorities viewed as a group, they are less favorable to paying \$25.00 annually than Whites.

Notable Quotes ...

“Theatre and music - overall arts - are the one way everyone can relate to each other. Cultural events are unifying for all members of the community...old, young, rich, poor, etc.”

“I would like to see more! More live music, museums, events that support the arts such as theater and dance. Also- I think it we need to reach out more to individuals and families who do not have a lot of money.”

“I wish the arts were embraced more and there were more outlets for locals to enjoy. Would love to see an outdoor amphitheater for concerts, and bringing in more contemporary musical artists to perform.”

“By and large the facilities are not adequate for the audience potential and quality of offerings.”

Notable Quotes ...

“Would like to see more affordability opportunities for low to medium income families. Especially those with children.”

“Without the arts, despite the beaches and scenery, this would not be a happy place for our family.”

“While we have fine quality arts options on the Island we are in need of some more modestly priced options.”

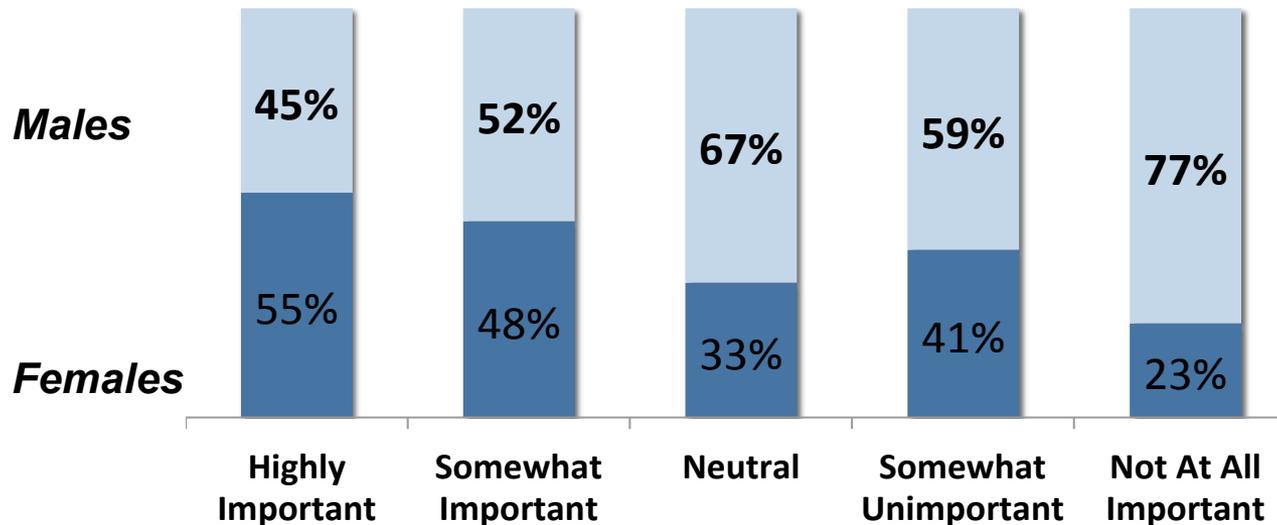
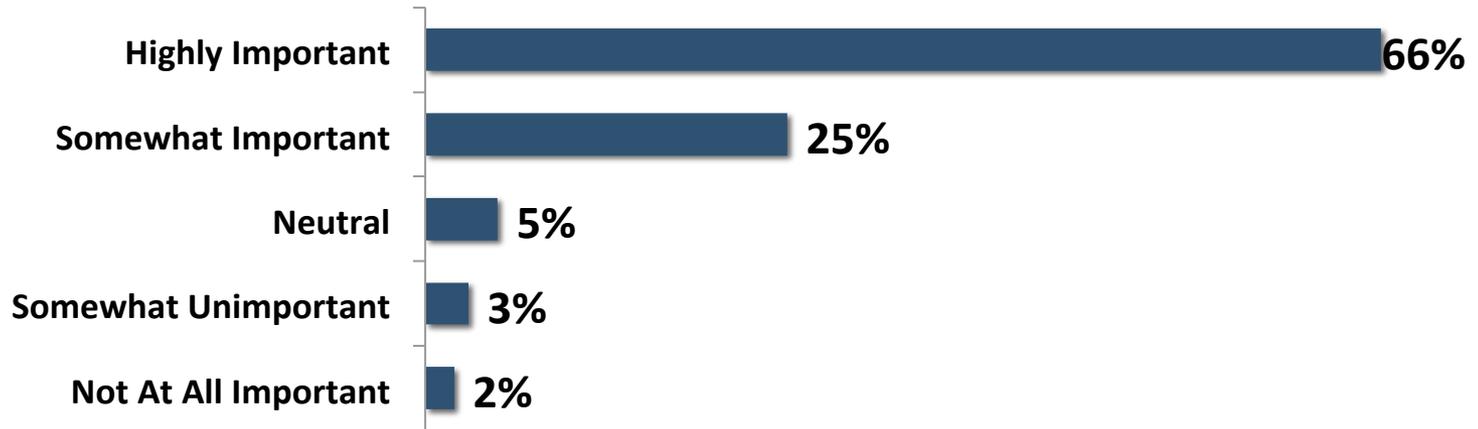
“There needs to be more events that bring the community together.”

“There is no center gathering place for community wide events.”

“There need to be much more available to children and teens residents and visitors.”

Arts and culture in Hilton Head

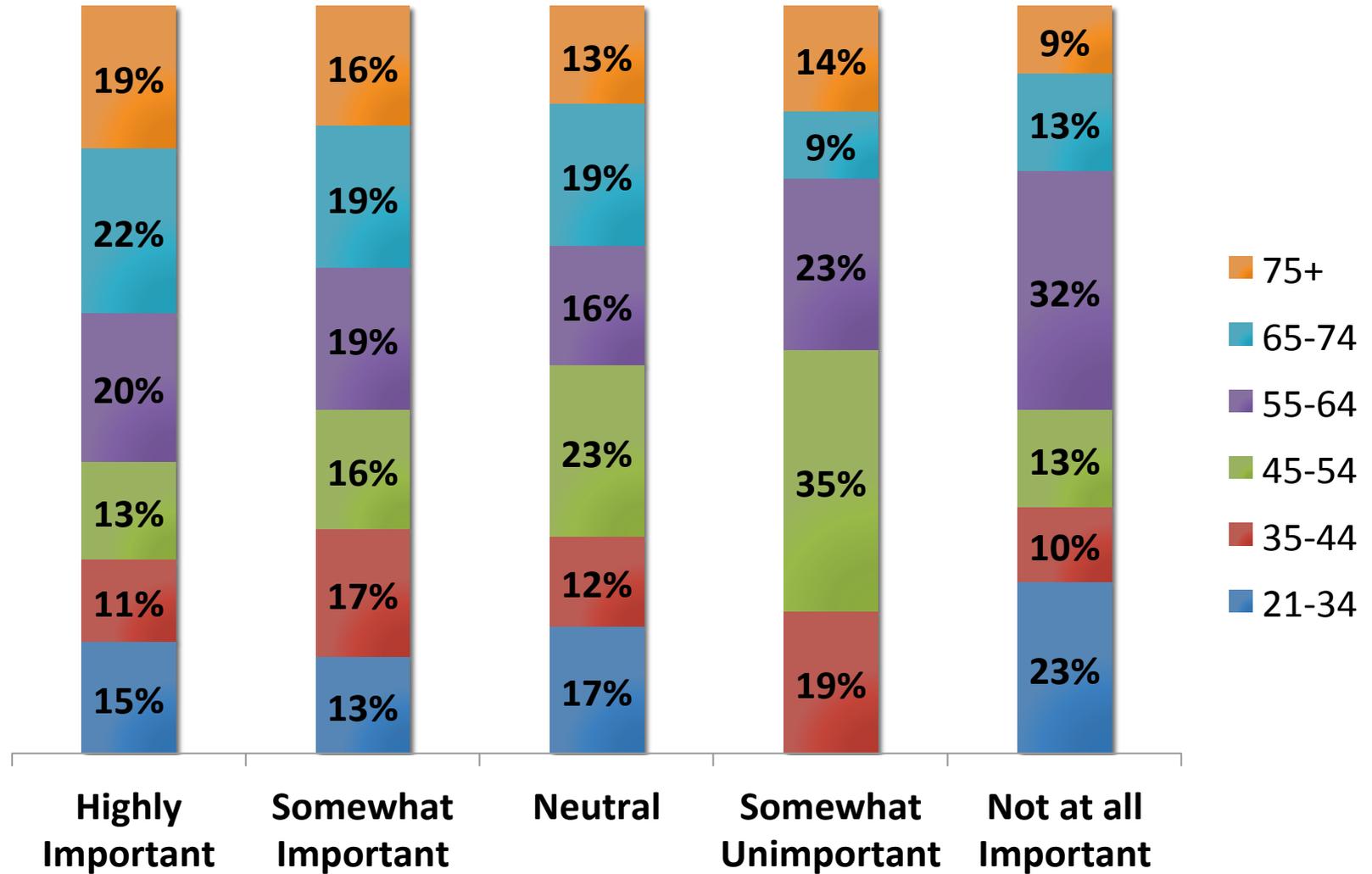
How important is a vibrant arts and cultural life to you?



Arts and culture in Hilton Head

How important is a vibrant arts and cultural life to you?

(by age)



Arts and Culture in Hilton Head

1 through 10 rating with 1 being the lowest quality rating and 10 being the highest quality rating

Overall quality of arts and cultural offerings

Rating 1 to 4 - 6%

Rating 5/6 - 14%

Rating 7/8 - 44%

Rating 9/10 - 36%

Variety of arts and cultural offerings

Rating 1 to 4 - 9%

Rating 5/6 - 23%

Rating 7/8 - 44%

Rating 9/10 - 24%

Satisfaction with offerings for adults

Rating 1 to 4 - 8%

Rating 5/6 - 18%

Rating 7/8 - 46%

Rating 9/10 - 28%

Satisfaction with offerings for youth

Rating 1 to 4 - 15%

Rating 5/6 - 34%

Rating 7/8 - 36%

Rating 9/10 - 15%

**Full-time residents are slightly less satisfied with the variety of arts and cultural offerings.*

** Those who work on Hilton Head Island are significantly less satisfied with all areas than those who are retired.*

Arts/cultural activities: personal participation

Hilton Head respondents ***personally participate*** in arts and cultural activities, most frequently...

Read books (81%)

Take photographs (48%)

Culinary arts or cooking (44%)

Crafts - ceramics, quilting, woodworking (19%)

Play a musical instrument (15%)

Draw or paint pictures (13%)

Dance socially (12%)

Sing in choir/group (10%)

Make movies/design on computer (7%)

Make videos (6%)

Write stories or poems (6%)

Perform in plays and/or musicals (4%)

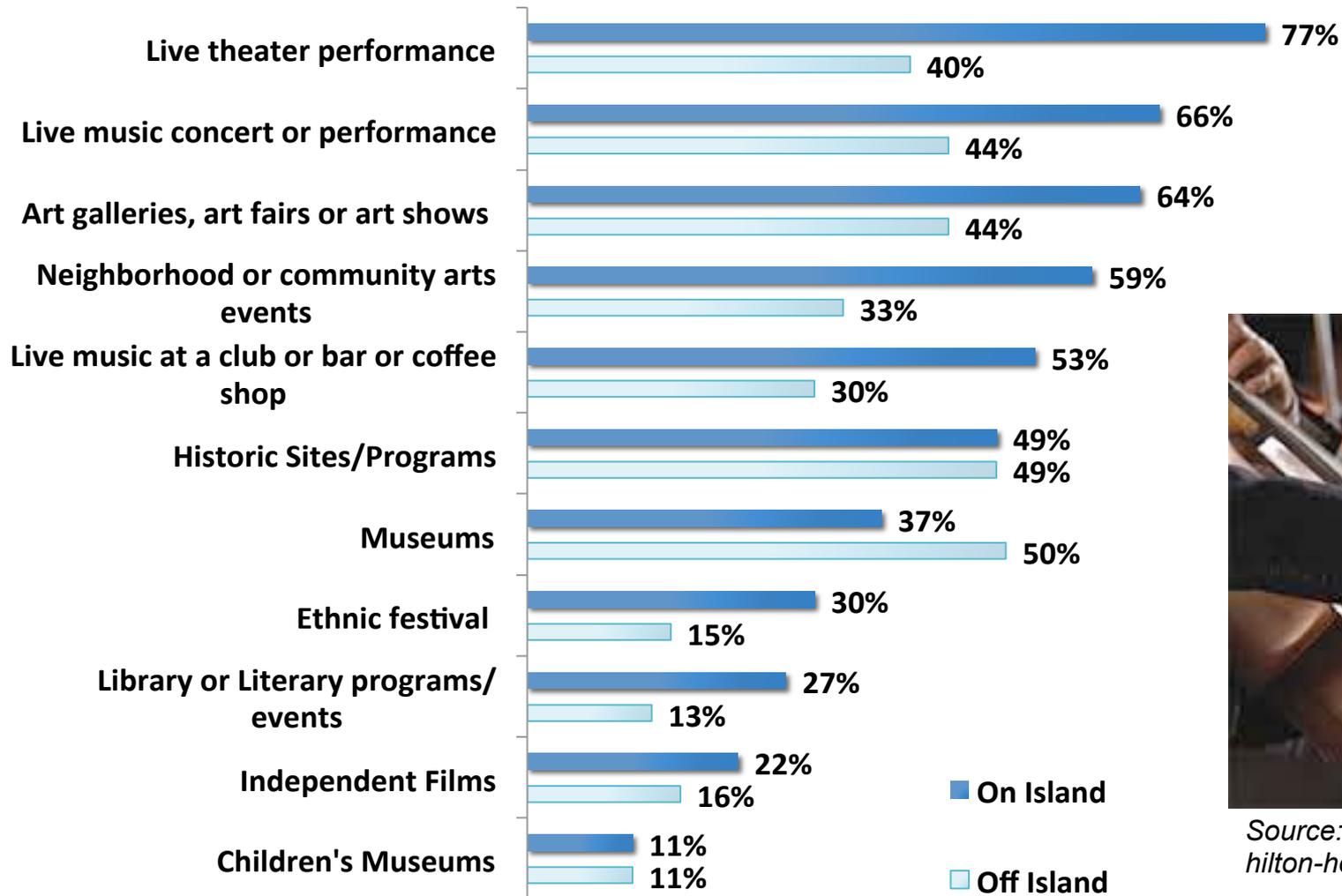
Take dance lessons (4%)

Write or perform songs or rap (3%)



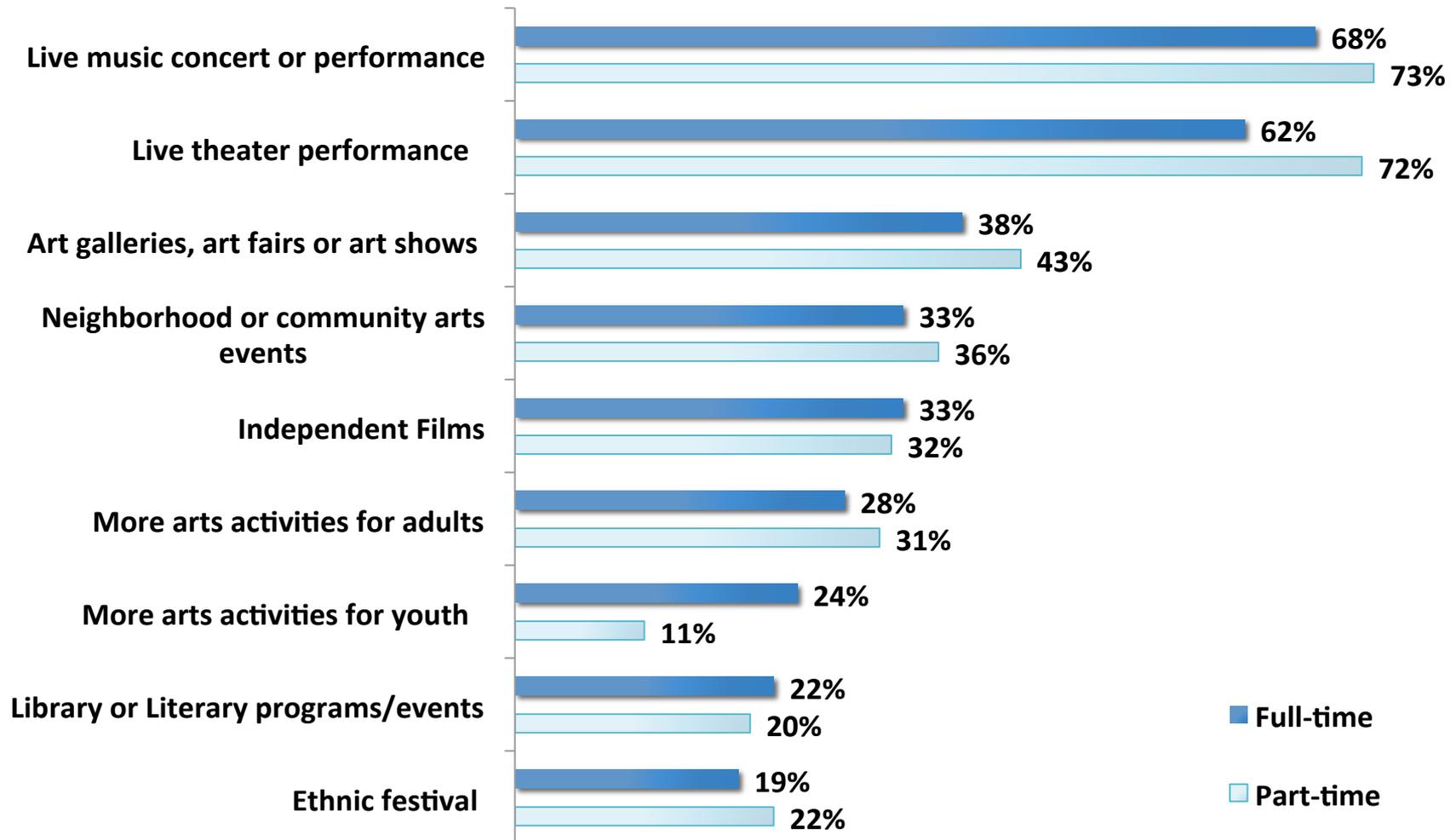
Source: www.americathebeautiful.com

Attendance (in last 12 months)



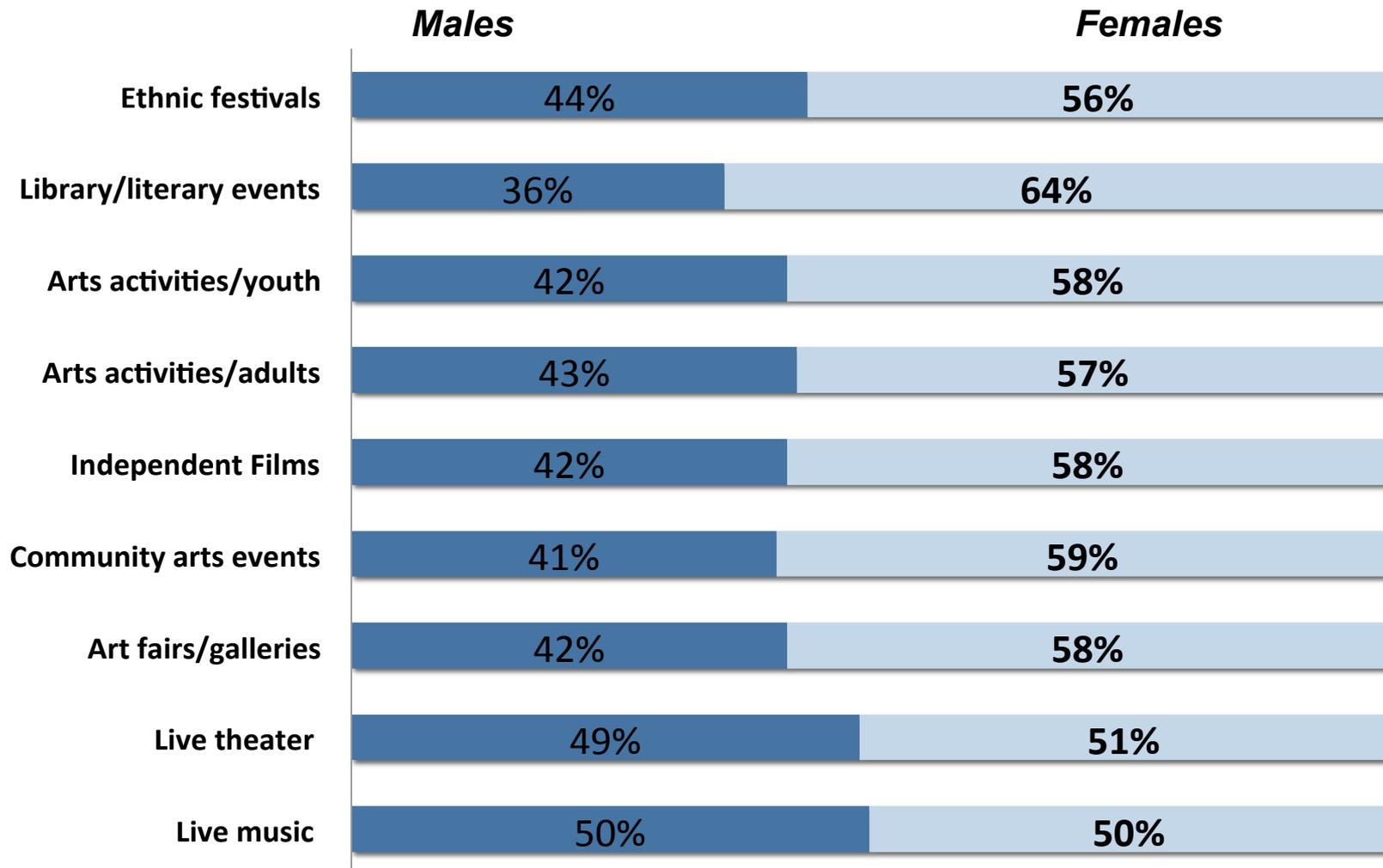
Source: www.hhidining.com/hilton-head-art-culture

What respondents want to see more of ...



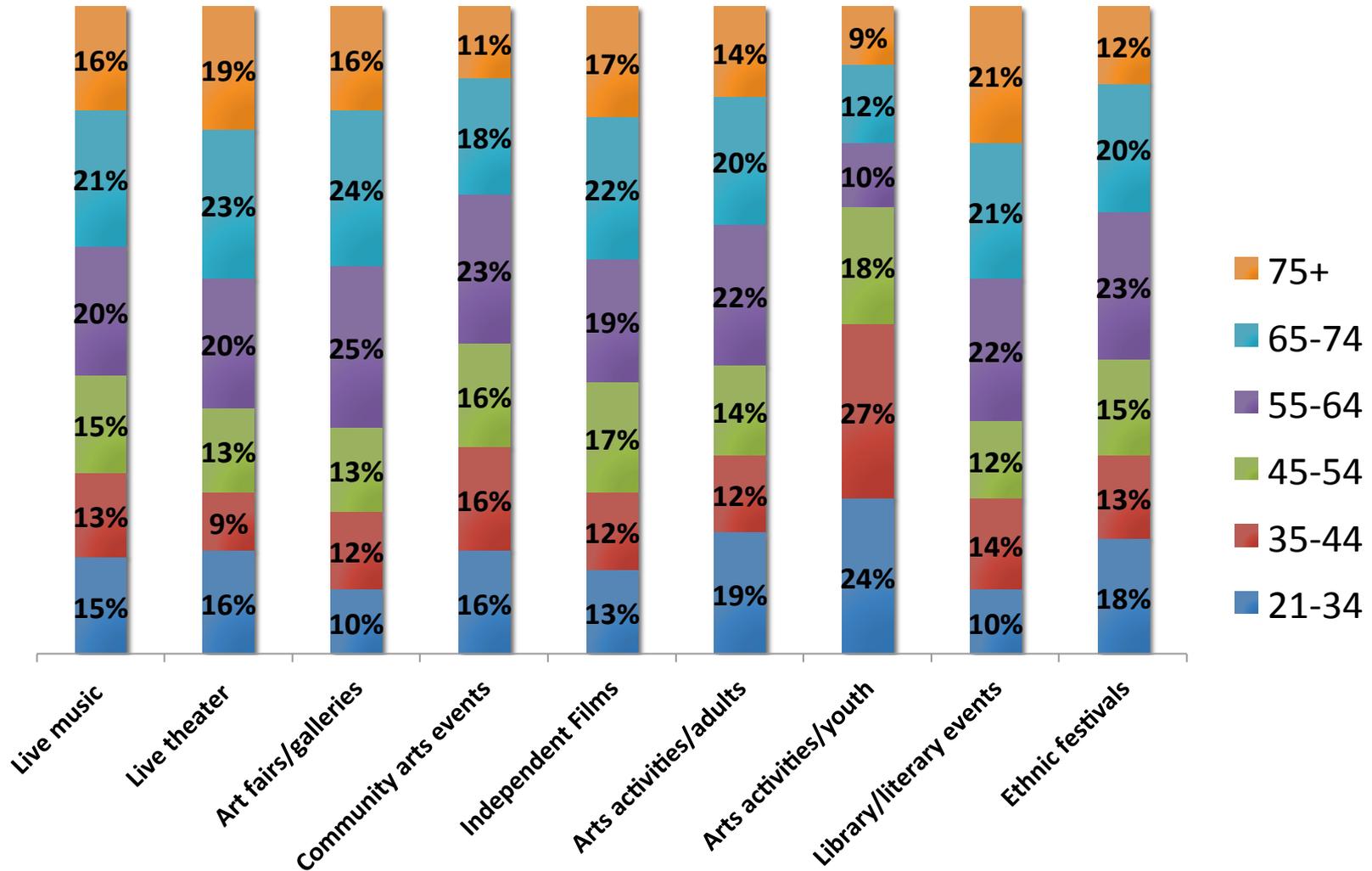
What respondents want to see more of ...

(by gender)

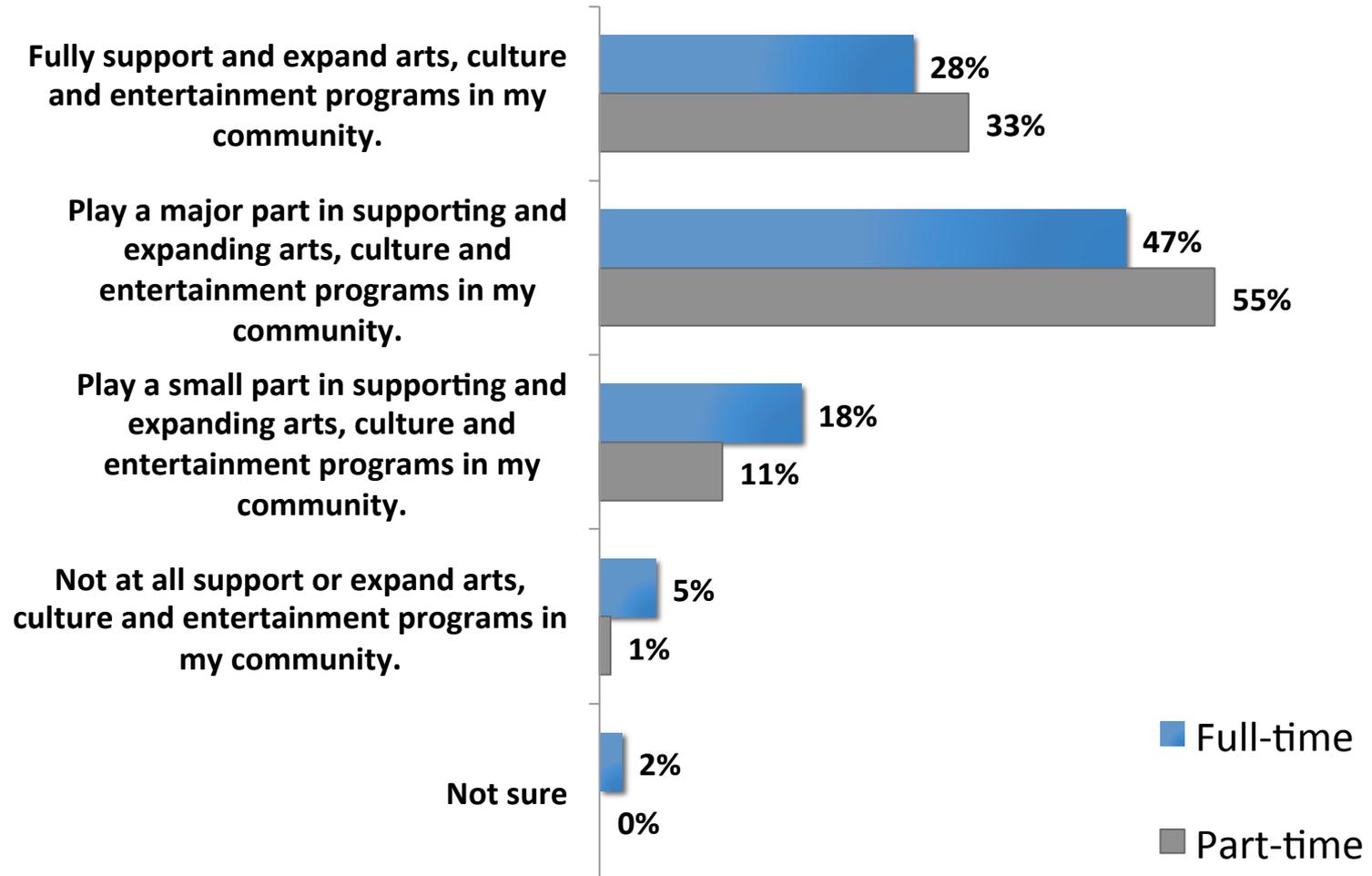


What respondents want to see more of ...

(by age)

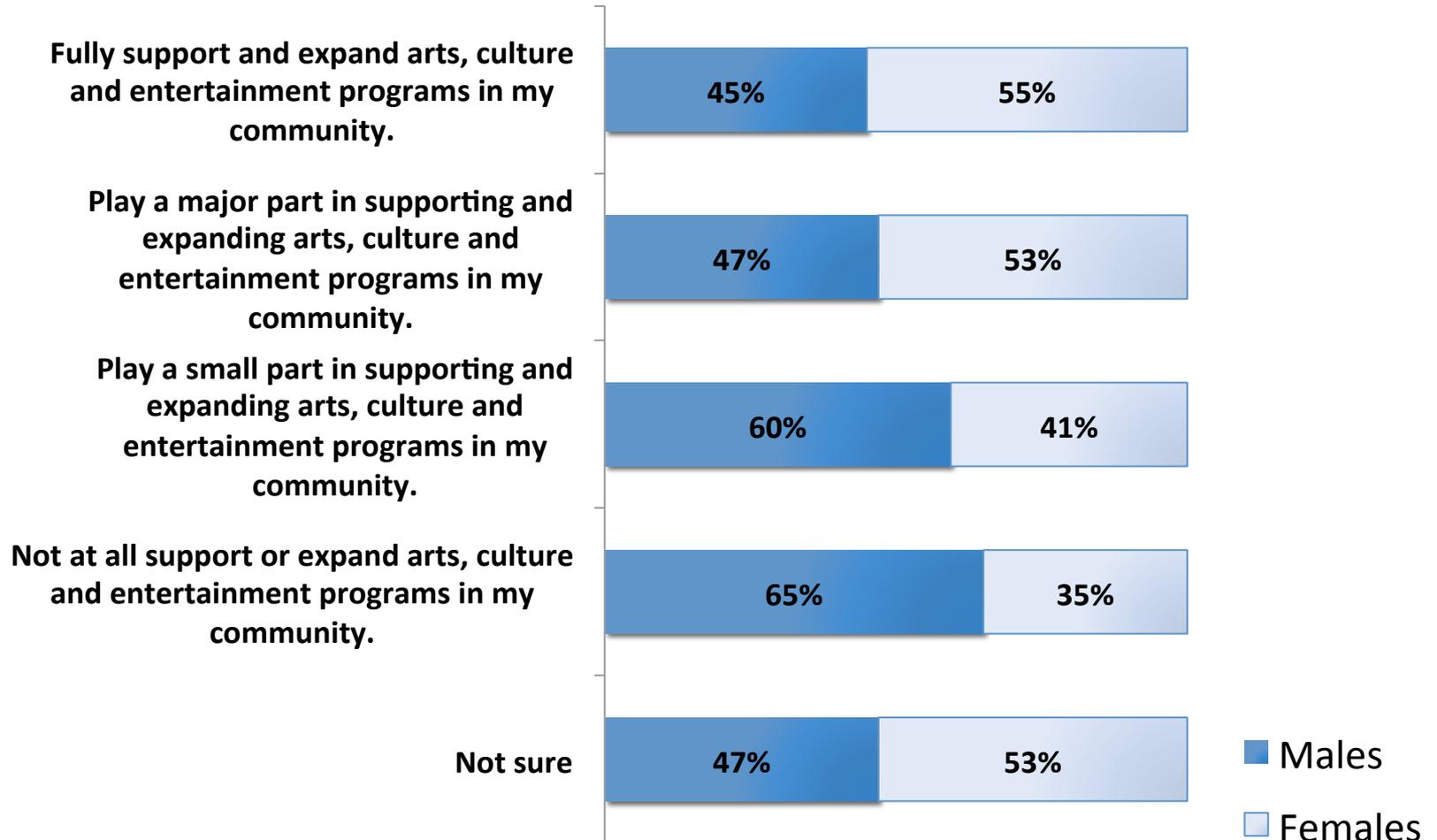


Opinion of Town Role



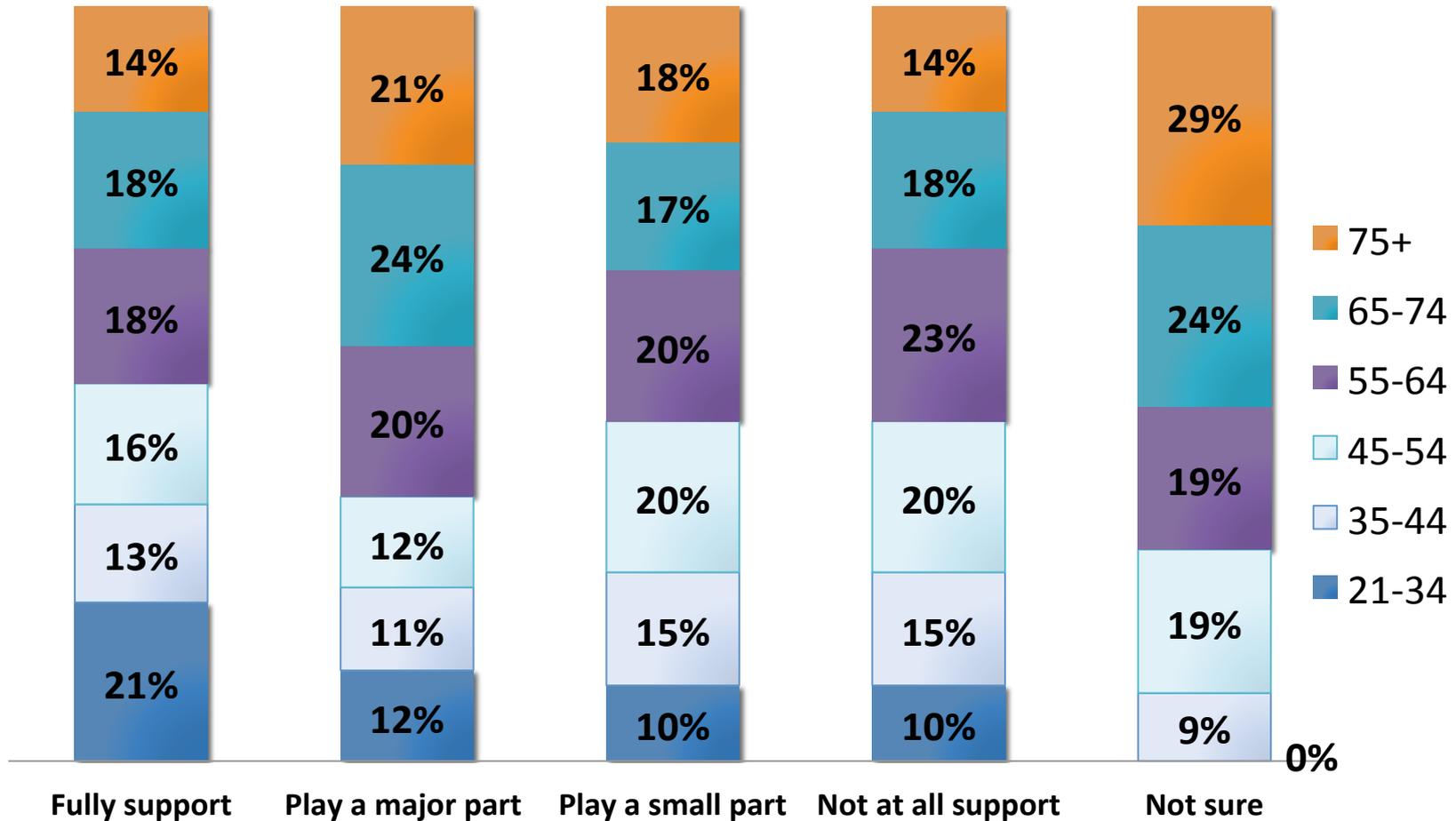
Opinion of Town Role

(by gender)

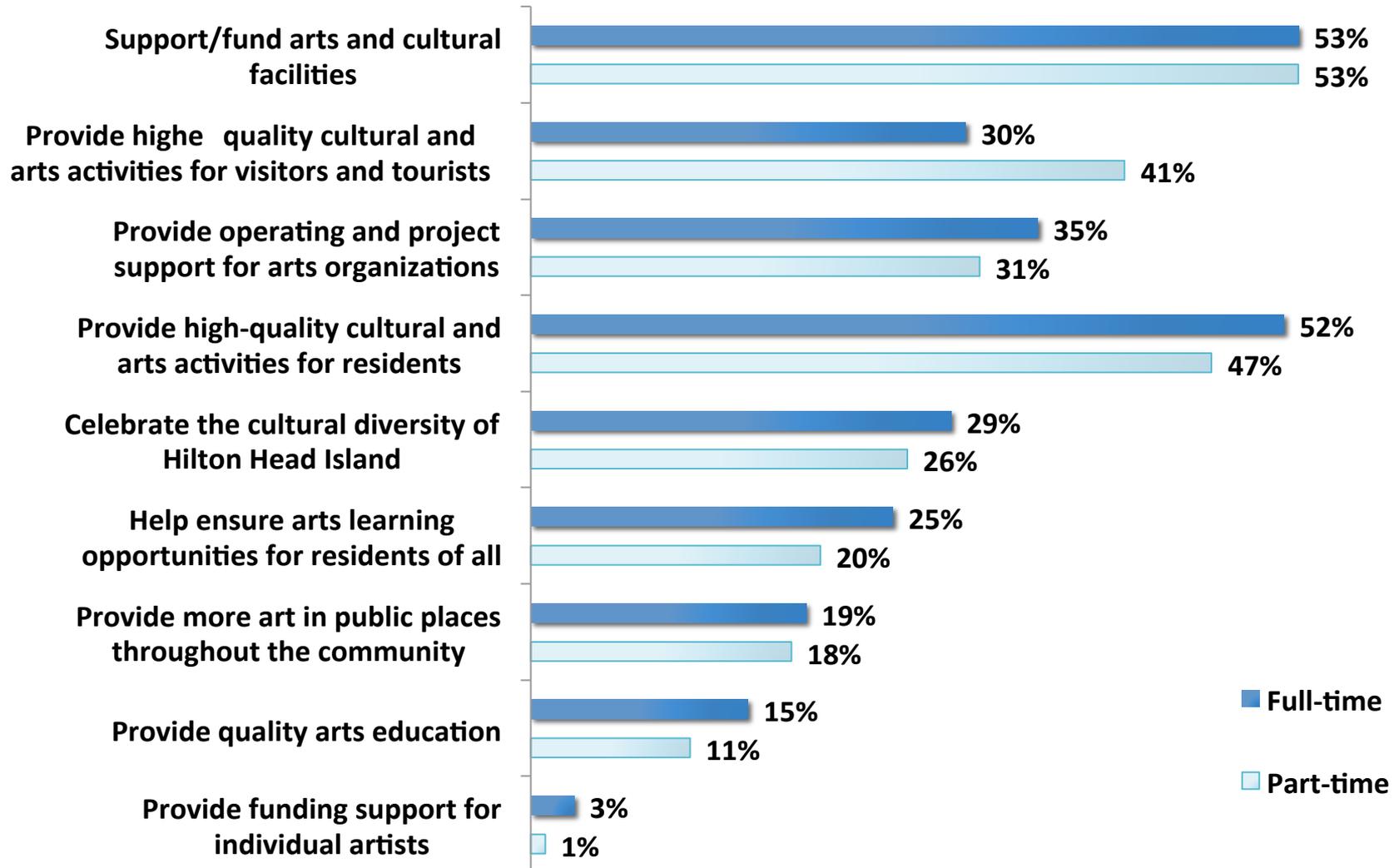


Opinion of Town Role

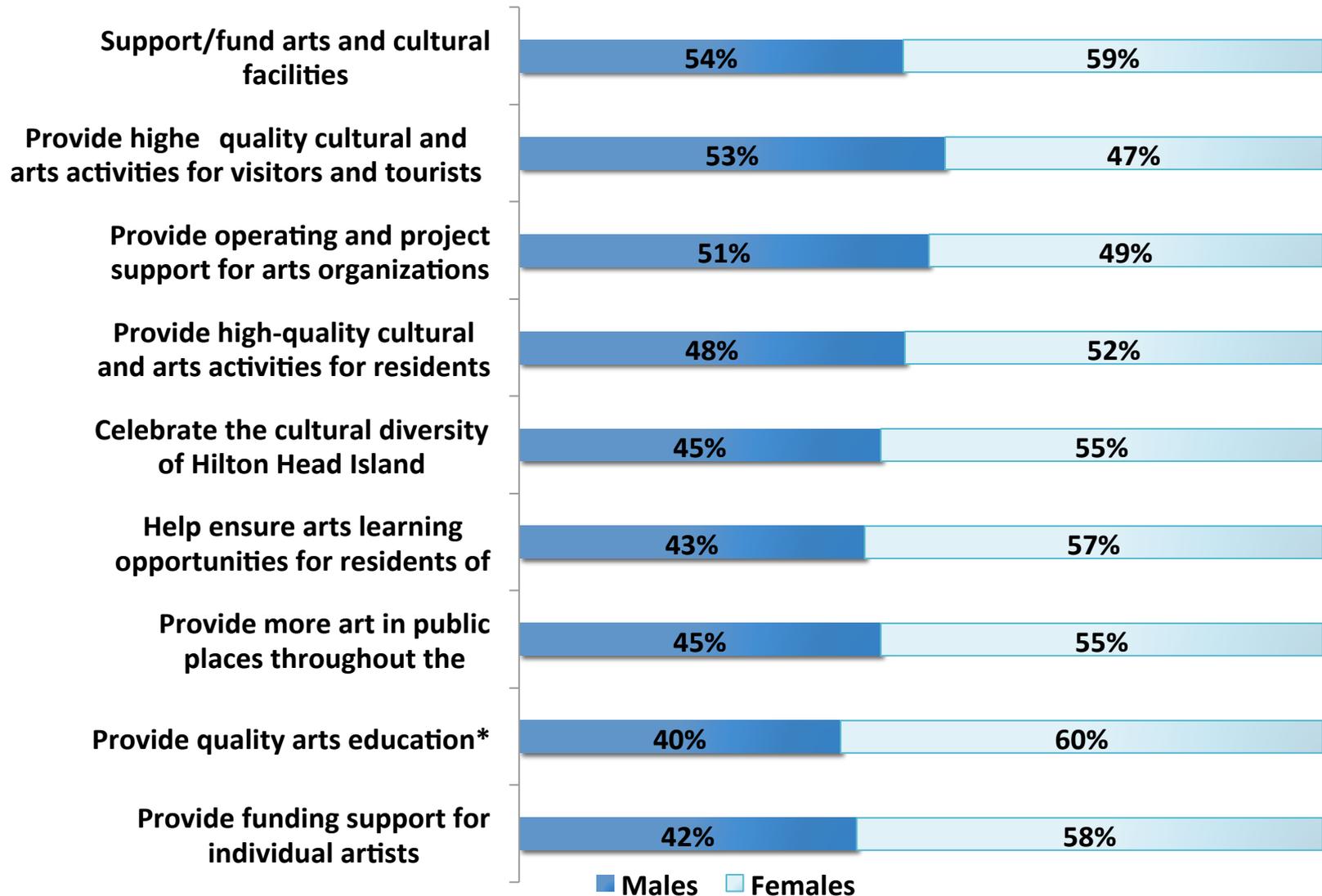
(by age)



What the town should focus on ...

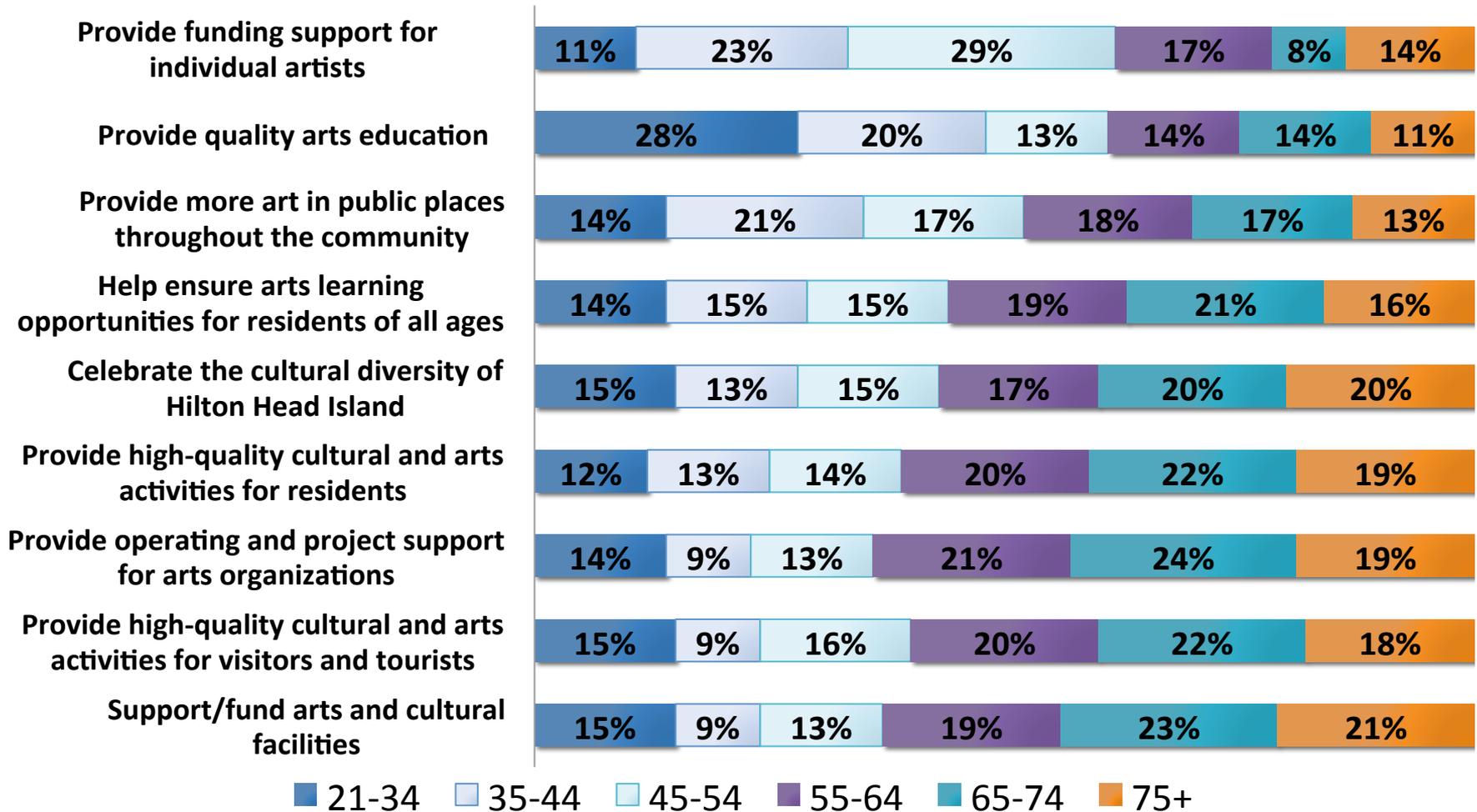


What the town should focus on ...

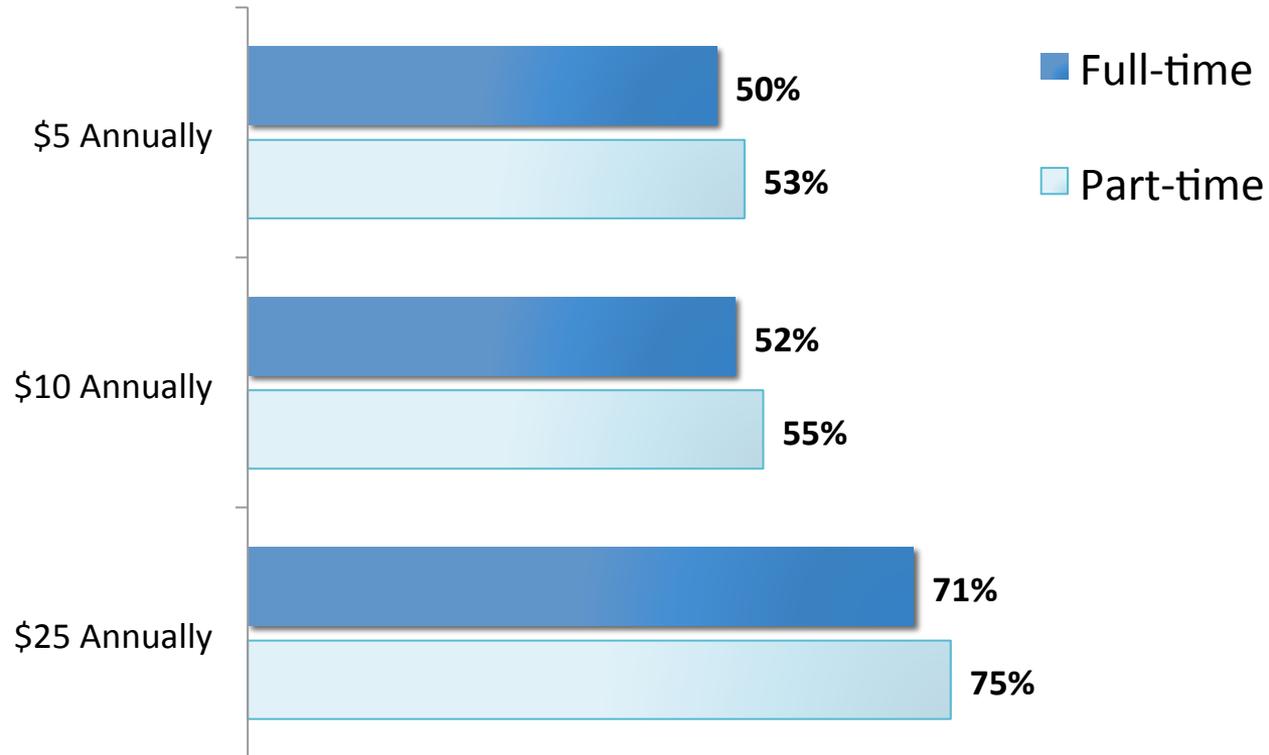


Opinion of Town Role

(by age)

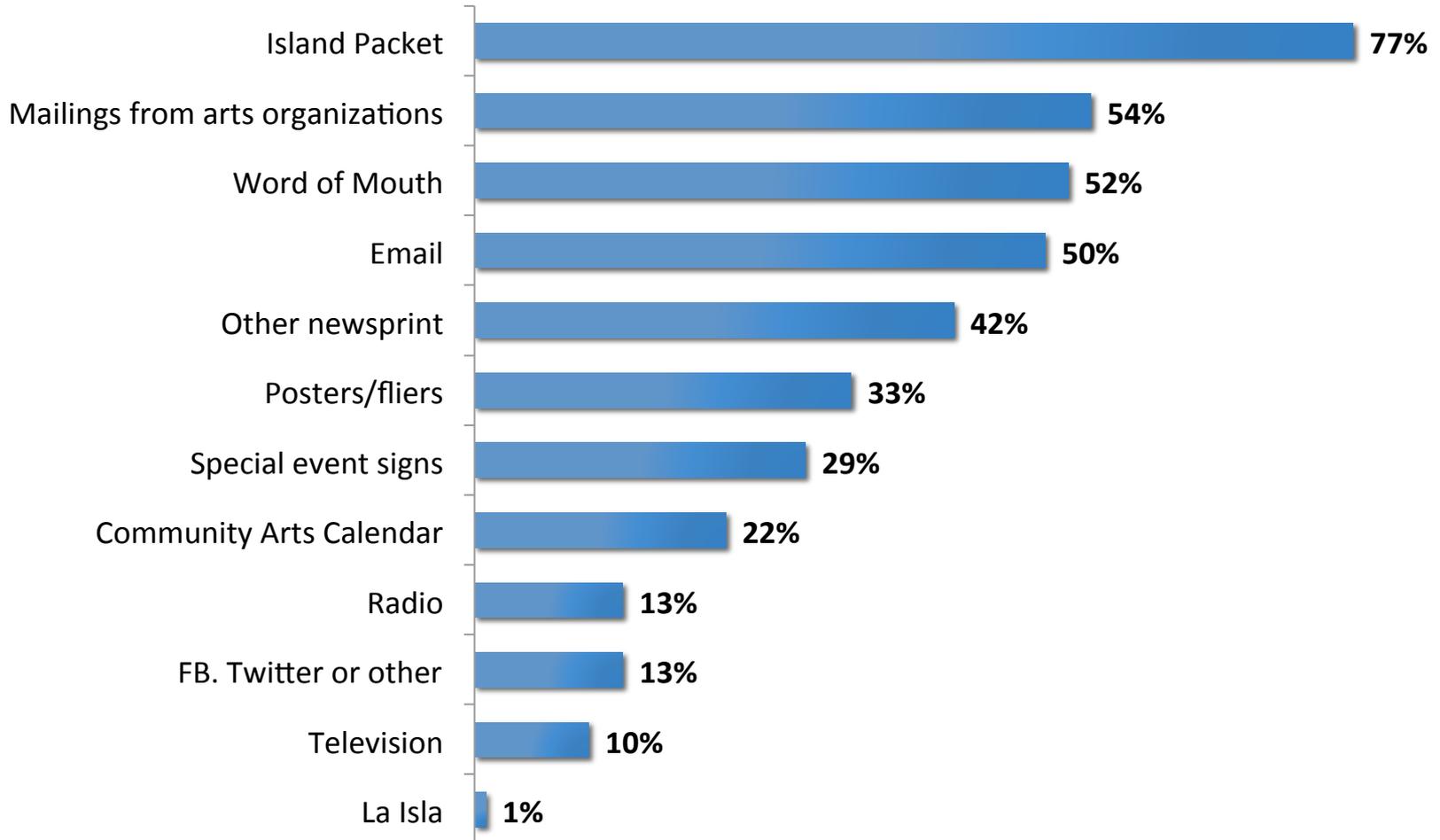


Favorability of annual tax

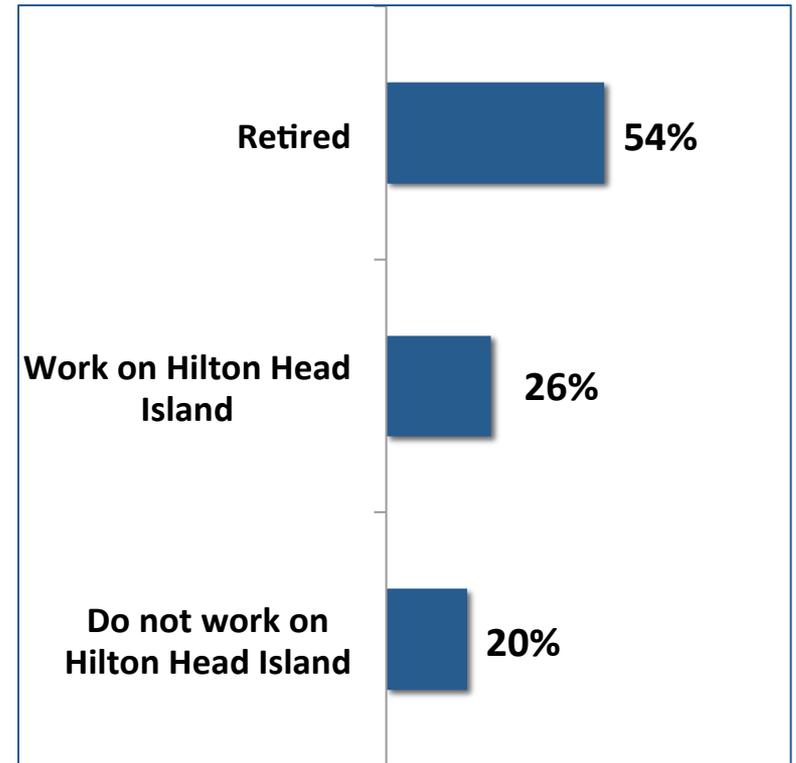
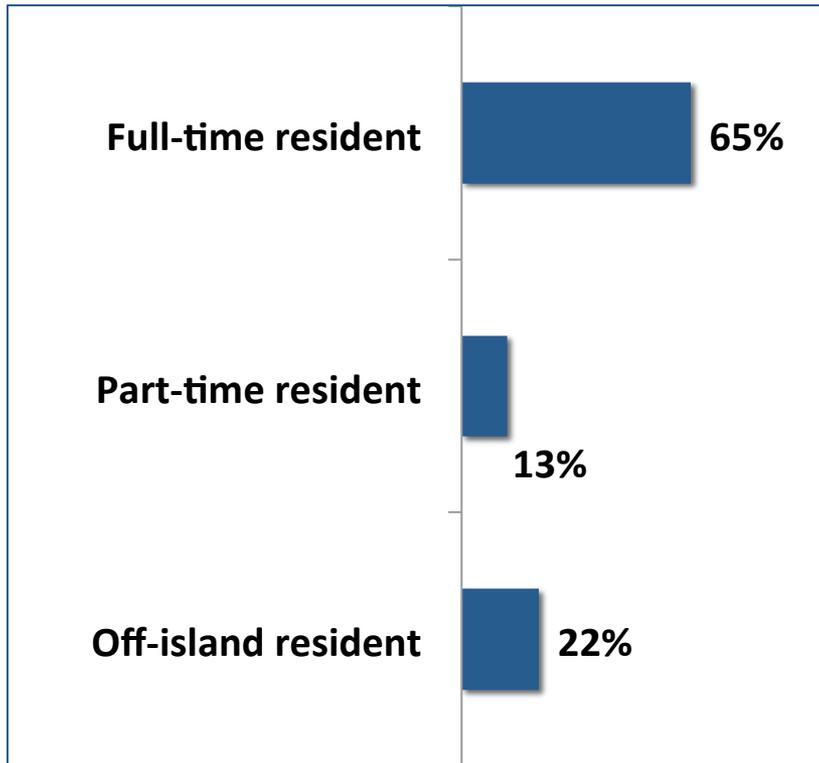


Those reporting incomes of \$50,000 or less are significantly less favorable to paying \$25 annually.

How respondents hear about events ...

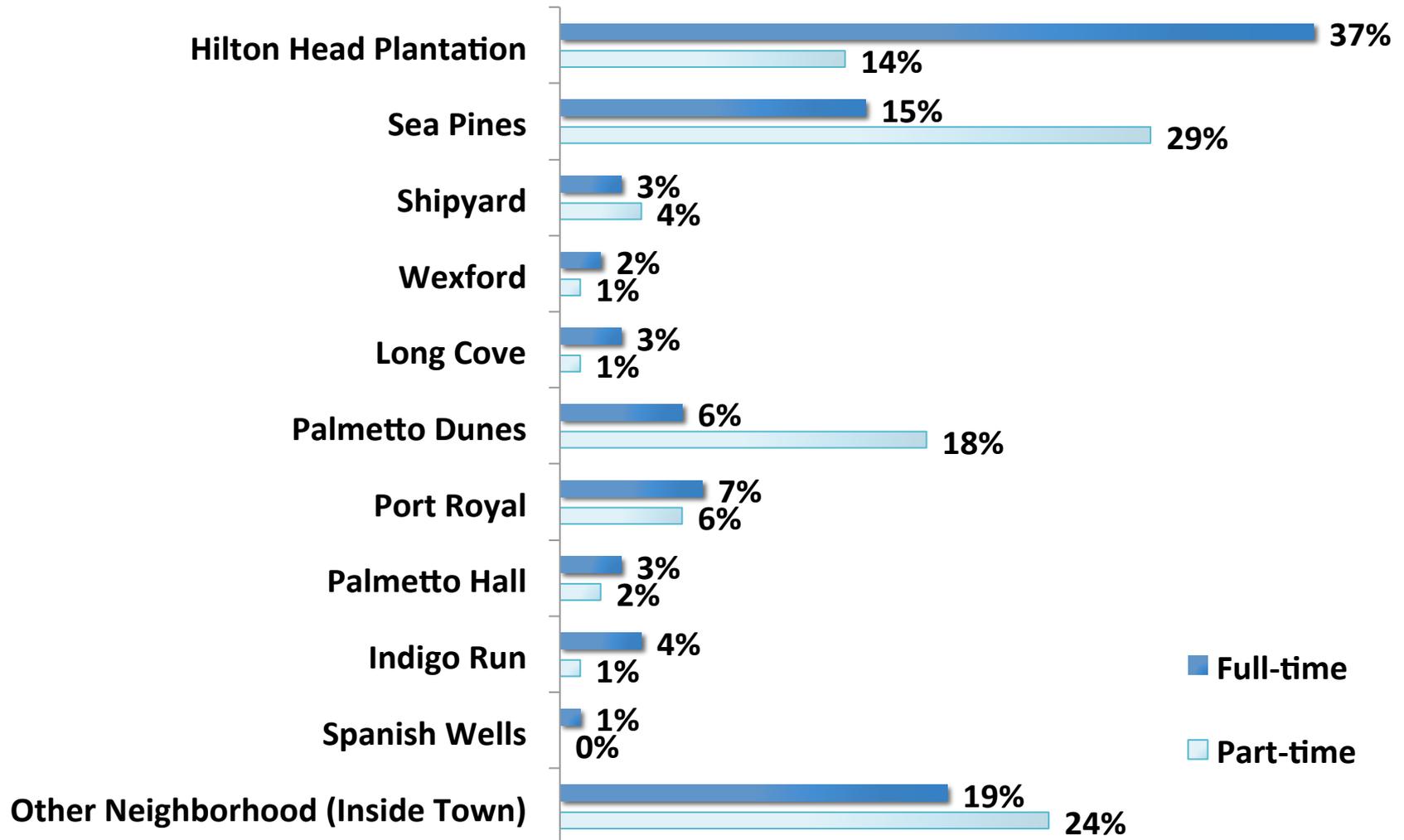


Respondent Profile



Arts Professional 14%
Non arts Professional 85%
Not sure 1%

Respondent Profile



Respondent profile (unweighted)

High School/Some college **13%**
Undergraduate Degree **39%**
Graduate Degree **47%**
PNTD **1%**

Under 34 years **2%**
35 – 54 years **16%**
55 – 64 years **21%**
65 – 74 years **40%**
75 and above **20%**
PNTD **2%**

Males **41%**
Females **59%**

\$10,000 - \$34,999 **4%**
\$35,000 – \$49,999 **6%**
\$50,000 - \$74,999 **15%**
\$75,000 - \$99,999 **19%**
\$100,000 to \$149,999 **28%**
\$150,000 to \$199,999 **10%**
\$200,000 to \$249,999 **6%**
\$250,000 or more **12%**

Black/AA/Native Gullah **2%**
White **91%**
Hispanic/Latino **2%**
Multi-racial **1%**
PNTD **5%**

PNTD = Prefer not to disclose

Community Conversations Results



Notable Quotes

“We do a wonderful job of selling the island as a place to visit – we do nothing to promote it as a place to live.”

“The cold-weather beach could be the arts.”

It's a game-changer for Hilton Head Island.” – (the cultural facility and the long-term vision)

“What brings people out of the gates?” –(festivals and events)

Overview

Over 100 residents participated in discussion groups and community conversations held throughout the Town. The discussions focused on:

- *What is the vision for the future? What should be different?*
- *What are the key issues for Hilton Head Island's arts and cultural future?*
- *What is the appropriate role of the Town in overall cultural development?*
- *What are solutions for the Arts Center?*
- *How can arts organizations collaborate?*

An abundance of information, ideas, visions, and strategies resulted from these dialogues.

Vision Discussion

- To be an arts and cultural destination
- The town residents have to be a catalyst to support the vision
- More awareness of local culture and history
- Better social, racial and age integration
- Total community commitment to make any vision successful
- To have the arts and culture be for the residents and benefit the tourists
- Large venue for performances
- Younger generations more involved
- Political collaboration on all levels
- More arts education programming and events
- Attract businesses with a vibrant arts and cultural environment
- Stronger public private collaboration

Arts Center Discussion

- It cannot work without the Town support
- Viewing from a pure business perspective it does not make sense to keep open.
- Some disadvantages for large theater – but a multipurpose theater with a black box theatre is ideal
- Clear support for flexibility of design - The more flexibility the better
- Facility/venue could be more of an Arts Campus
- Public private partnership may be best option
- Raise money from everyone that participates on the island – not just one group
- If new venue not built on Hilton Head it will be built on Bluffton – possibly sponsored by the College
- Younger set do not currently see the Arts Center as an option for them
- Facility is limiting - not encompassing of all the arts
- Distinction should be made between the “building” and the “organization” – consider separately
- Need to resurrect what we originally envisioned – (Civic Center)
- – The problem needs to be solved for arts center but we need a better venue – the arts center is a “650 pound canary”

Role of the Town

- Entity to plan and coordinate funding – Cultural Council needed
- Time to become a “community” – Town and residents looking forward
- Arts and culture needs to be supported more by the Town
- Look at Bergen County model of building purchase and rent back to regional theatre
- More funds need to be put into venues now
- “The Town can facilitate it by being arts friendly – or they can slow it down. Look for ways to make it happen”
- Perception that Town does not support new things. Leadership does not like change
- Town should support us, the arts, as a public good
- Examples: Telluride, Sundance, Santa Fe

Arts Collaboration

- Programming – one place to go – website – a clearinghouse for community information and connections for artists
- Recognize what already is being done
- More collaboration between Town and Chamber
- Investigate collaborative utilization of existing spaces in need of revitalization
- Calendar collision – too many things happening at once – can be good but need to know about it
- Volunteerism efforts – started about 10 different organizations on the island
- Office of Cultural Affairs –
 - Good for strategic direction
 - Professional organization should manage the facility - Facilities management is separate issue
 - Economic development of the community
 - Consensus on cultural affairs council in the group

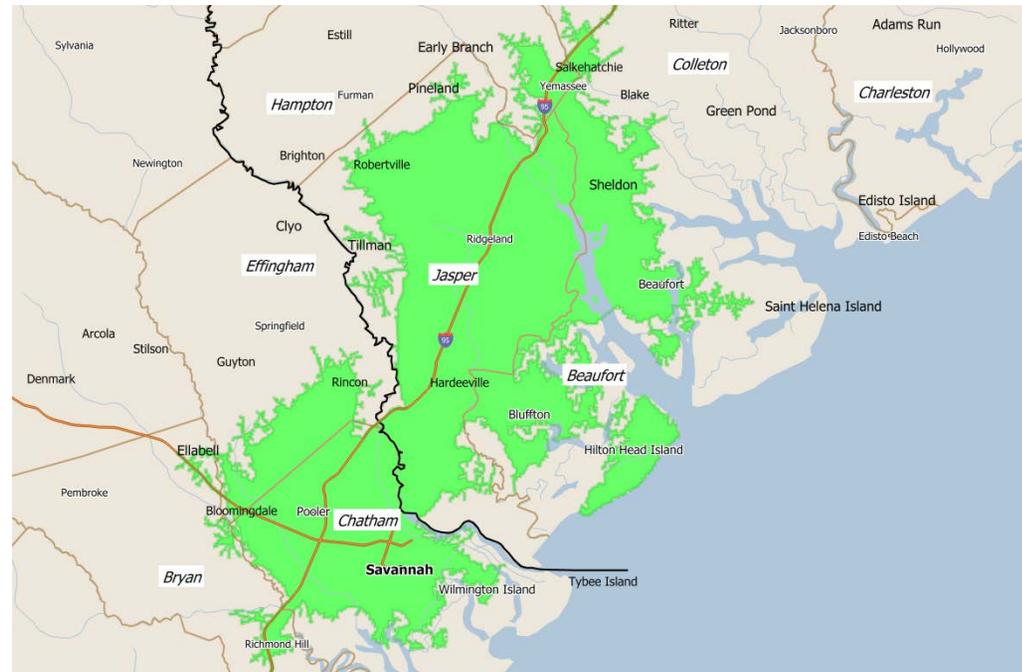
Hilton Head Island Area Consumer Arts Demand and Demographics

Methodology

A drive-time area of 75-minutes from Hilton Head Island center was established as the study area for this additional research. A demand index was created using seven arts-related consumer market potential indexes (MPI)¹ including: took adult education classes; attended live dance; live music; live classical music; or live theater in the past 12 months; played a musical instrument; or did drawing/painting in the past 12 months.

Market potential data measures the demand for a product or service in an area and the expected number of consumers for that product or service. The MPI compares the local demand with national demand based on an average index of 100.

An index of 120 implies that the demand in the local area is likely to be 20 percent higher than the national average; 80 implies demand is 20 percent lower. Data is computed by a combination of several national surveys and data segmentation systems.² It is possible that estimated buyer counts in a particular area may be higher than what the



¹ Source: ESRI.

² . For complete methodology visit http://www.esri.com/data/esri_data/~/media/Files/Pdfs/library/whitepapers/pdfs/market-potential-methodology.pdf

index suggests and the opposite is also possible – estimated buyers in an area may be lower than what the index suggests because the comparison is based on what is average for the U.S.

The MPI for arts demand was applied to a 75-minute drive time area from the Center of Hilton Head Island. At the block group level of geography, within that drive time, the consumer demand was stratified to illustrate demand geographically and to quantify estimated arts buyers in these areas.

In addition to providing an index and buyer counts for the area, the 75-minute drive was analyzed by Mosaic³ group. Mosaic provides a glimpse into the household lifestyle types of those living in the region from a consumer perspective. The arts demand index was also applied to the Mosaic households in the study area.

Summary of Findings

- Demand for arts product and services from adults within a 75-minute drive time to Hilton Head is very high. Of the 320 block groups in the region, 39% (127) index at above average rates. Demand is highest in most of the geographic units on Hilton Head Island and within an approximately 40 minute drive, plus some areas of Beaufort and Savannah.
- The estimated buyer count in the study area for all arts variables combined is 256,141. While compared to the national average, arts indexes in the area hover on par with the national average, the estimated buyer counts are strong. For music there are an estimated 88,535 buyers. Classical music buyers, a separate category, is estimated at 17,594 roughly the same as dance performance buyers at 17,197. The next highest count behind music is for live theater with 49,655 estimated buyers. There are an additional 25,000 or more in the region that take adult education courses, play musical instruments, or do painting or drawing.
- From a demographic standpoint, the population within a 75-minute drive time is close to 480,000 and expected to increase to 525,932 by 2017. Of the 185,130 households in the region, 32% are households with persons under age 18. According to both 2012 and 2017 estimates, the population is 60% White, 32% Black, with a variety of races making up the remaining 8%. However the population of Hispanic origin is expected to

³ Experian lifestyle market segmentation system.

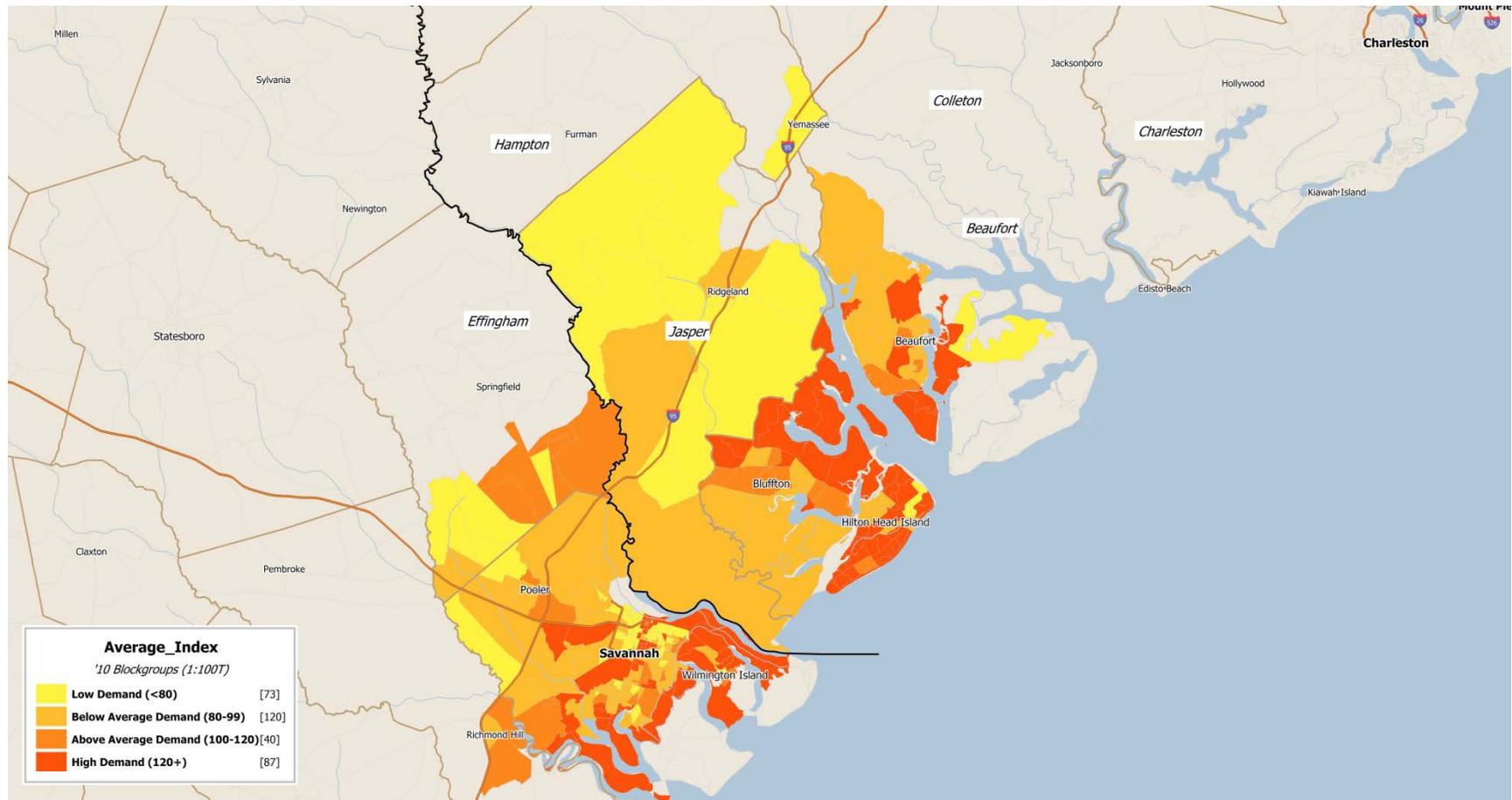
grow from 9% to 15% in 2017. Median age of the population is 38.5, 1.4 years older than the U.S. median, and is expected to increase to 39 by 2017. Annual household income for the region varies widely resulting in an average of \$65, 710; 18% report household income over \$100,000 while 23% reports household income under \$25,000. For the population over age 25, 19% have a college degree and another 10% have a graduate or professional degree.

- The highest demand for arts programs comes from three Mosaic groups that include a mix of affluent and modest families with children, very upscale singles and couples.⁴ **Flourishing Families** (Mosaic group B) has the highest index (139) and is described as affluent, middle-aged families and couples earning prosperous incomes and living very comfortable, active lifestyles. There are 5,236 of these households within the 75-minute drive time and the found across the state border in Georgia. **Booming with Confidence** (Mosaic group C) has an index of 132 and is described as prosperous, established couples in their peak earning years living in suburban homes. There are 20,464 of these households in the region located primarily in and around Hilton Head Island, with some in Beaufort and in coastal areas of Savannah. **Power Elite** (Mosaic group A) has an index of 125 and is described as the wealthiest households in the U.S, living in the most exclusive neighborhoods, enjoying all that life has to offer. There are 10,564 of these households in the region and they are primarily on Hilton Head Island, but also found in areas of Bluffton, coastal Beaufort and in Savannah.
- There are another 10 Mosaic groups representing a wide variety of lifestyle types from **Significant Singles** (Mosaic group K) to **Autumn Years** (Mosaic Group J). All 10 index at or above average, and combined represent close to 35% of all households in the region. The largest group is **Singles and Starters** (Mosaic group O) with 25,761 followed by **Suburban Style** (Mosaic group D) with 19,406. While Singles and Starters lives primarily in the outskirts of Savannah, Suburban Style lives on Hilton Head Island and also in Savannah.
- The Mosaic descriptions that follow in the Appendix are helpful to understanding the types of programs that might appeal to the various lifestyle groups as well as how and where to reach them with marketing.

⁴ More complete descriptions can be found in the Appendix.

Demand for Arts Programs within the 75-Minute Drive Time

This map illustrates the consumer demand for arts programs within a 75-minute drive from Hilton Head Island.



Estimated Number of Arts Buyers and Detailed Indexes

This chart details the number of estimated buyers for each arts variable and the average index for all households in the region.

Potential Buyers within 75-Mile Drive Time of Hilton Head Island	Estimated Buyer Count	Index
Adult education courses (may include art)	25,218	101
Dance performances	17,197	101
Music performances	88,535	97
Classical music performances	17,594	103
Live theater	49,655	99
Plays a musical instrument	31,718	101
Does painting or drawing	26,224	106
Total Mosaic Households	256,141	101

Census Demographic Profile

Population and Households⁵

75 Minute Drive Time from HHI					
	2012 Estimates	% of Area	2017 Projections	% of Area	Percentage Change
Population Estimates	479,915		525,932		9.59
Households					
Households	185,130		204,322		10.37
Households, w/persons <18	59,604	32%	65,694	32%	10.22
Average Household Size	2.49		2.48		

Race

75 Minute Drive Time from HHI					
	2012 Estimates	% of Area	2017 Projections	% of Area	Percentage Change
Race					
White	288,050	60%	314,425	60%	9.16
Black	153,615	32%	170,157	32%	10.77
Native American	1,390	0%	1,519	0%	9.28
Asian	9,366	2%	10,085	2%	7.68
Other, Multi-Racial	27,494	6%	29,746	6%	8.19
Hispanic Population	41,313	9%	48,274	15%	16.85

⁵ Census household counts are lower than Mosaic because Mosaic includes group quarters (non-institutional).

Age

75 Minute Drive Time from HHI					
	2012 Estimates	% of Area	2017 Projections	% of Area	Percentage Change
Age					
< 5 yrs	34,145	7%	38,516	7%	12.80
5-9 yrs	30,973	6%	35,601	7%	14.94
10-14 yrs	28,734	6%	32,910	6%	14.53
15-19 yrs	32,103	7%	35,875	7%	11.75
20-24 yrs	39,823	8%	36,353	7%	(8.71)
25-34 yrs	72,024	15%	76,413	15%	6.09
35-44 yrs	57,020	12%	65,337	12%	14.59
45-54 yrs	58,638	12%	58,911	11%	0.47
55-64 yrs	55,971	12%	58,456	11%	4.44
65-74 yrs	41,046	9%	50,379	10%	22.74
75-84 yrs	20,949	4%	26,824	5%	28.04
85+ yrs	8,489	2%	10,357	2%	22.00
12 Median age	38.50		39.00		

Household Income

75 Minute Drive Time from HHI					
	2012 Estimates	% of Area	2017 Projections	% of Area	Percentage Change
Household Income					
< 10T	15,381	8%	16,614	8%	8.02
10T-14.9T	8,896	5%	6,073	3%	(31.73)
15T-19.9T	7,557	4%	8,973	4%	18.74
20T-24.9T	11,764	6%	9,866	5%	(16.13)
25T-29.9T	10,461	6%	13,175	6%	25.94
30T-34.9T	11,398	6%	9,749	5%	(14.47)
35T-39.9T	11,678	6%	14,329	7%	22.70
40T-44.9T	9,194	5%	23,309	11%	153.52
45T-49.9T	9,879	5%	17,095	8%	73.04
50T-59.9T	15,426	8%	19,355	9%	25.47
60T-74.9T	18,875	10%	22,869	11%	21.16
75T-99.9T	21,264	11%	17,667	9%	(16.92)
100T-124.9T	13,619	7%	7,316	4%	(46.28)
125T-149.9T	5,764	3%	5,011	2%	(13.06)
150T-199.9T	4,745	3%	2,555	1%	(46.15)
200T+	9,229	5%	10,366	5%	12.32
	185,130		204,322		
Average household income	\$ 65,710		\$ 67,671		
Median household income	\$ 51,431		\$ 54,653		

Education

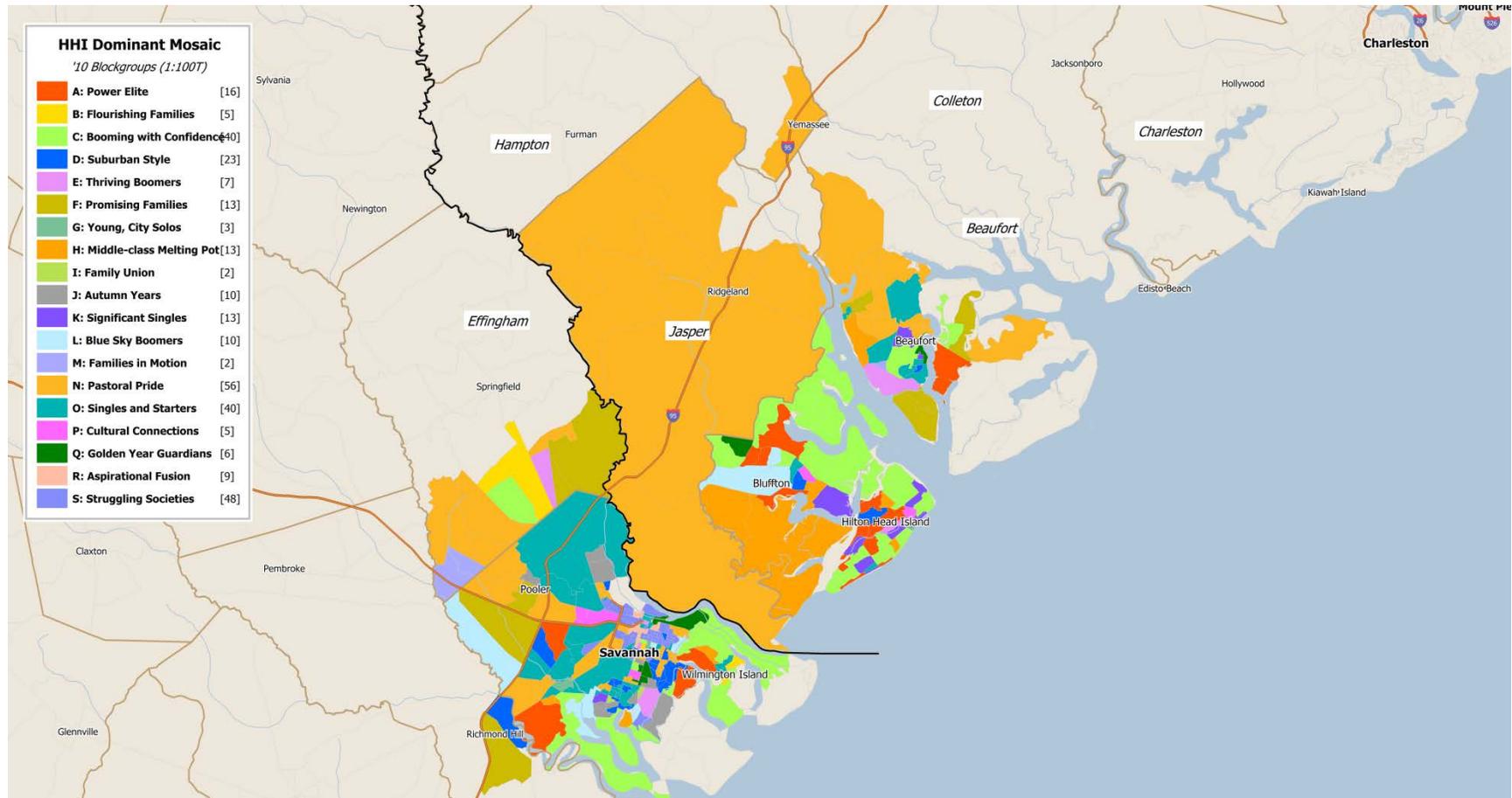
75 Minute Drive Time from HHI					
	2012 Estimates	% of Area	2017 Projections	% of Area	Percentage Change
Education					
12 Population, age 25 yrs+	314,137		346,677		
no HS diploma	39,631	13%	44,592	13%	12.52
HS diploma	93,324	30%	104,087	30%	11.53
College, no diploma	67,840	22%	74,697	22%	10.11
Associate degree	22,847	7%	25,163	7%	10.14
College degree	58,583	19%	63,588	18%	8.54
Graduate/prof degree	31,912	10%	34,550	10%	8.27

Potential Regional Arts Customers

This chart quantifies the household types by Mosaic group in the region and includes the average arts index for households in each group. The total household count varies from the Census demographic count of 185,130 because it includes non-institutional group quarters. The map that follows illustrates where these household types are dominant.

Mosaic Groups in Area	Mosaic Houselds in Area	Estimated Consumer Arts Index
A: Power Elite	10,564	125
B: Flourishing Families	5,236	139
C: Booming with Confidence	20,464	132
D: Suburban Style	19,406	100
E: Thriving Boomers	5,791	109
F: Promising Families	14,287	119
G: Young City Solos	2,273	117
H: Middle-Class Melting Pot	9,656	104
I: Family Union	2,579	83
J: Autumn Years	3,880	118
K: Significant Singles	5,726	115
L: Blue Sky Boomers	9,510	107
M: Families in Motion	1,906	83
N: Pastoral Pride	27,177	81
O: Singles and Starters	25,761	103
P: Cultural Connections	2,620	88
Q: Golden Years Guardians	9,240	116
R: Aspirational Fusion	5,862	88
S: Struggling Societies	15,493	72
Total Mosaic Households	197,431	

Dominant Mosaic Groups in 75-Minute Drive Time from Hilton Head Island



Appendix



Mosaic® USA

Group A: Power Elite

The wealthiest households in the US, living in the most exclusive neighborhoods, and enjoying all that life has to offer

Overview

America's wealthiest households belong to Power Elite, a group of six segments concentrated in the nation's largest metropolitan areas. Predominantly white with a high rate of Asians, many have risen to the top thanks to advanced educations and lucrative careers as lawyers, doctors and corporate leaders. Today, these middle-aged and older executives (half are empty-nesting couples) enjoy lives of luxury in the nation's most fashionable and exclusive areas in the country.

With their deep pockets, they own property in some of America's most sought-after addresses - from the contemporary mansions of Beverly Hills, Calif. to the sprawling waterfront estates of Old Greenwich, Conn . Many paid more than a million dollars for their dream homes. While many have settled in the greener-belt suburbs of big cities, significant numbers also enjoy private, in- town residences, their homes protected by iron gates and well-tended shrubbery, the backyards dominated by swimming pools and tennis courts.

With nearly half the adults holding advanced degrees, Power Elite reflect a society of white- collar and entrepreneurial types, as well as dual-earners who have worked their way to the top. They're nearly twice as likely as average Americans to have jobs in business, law, science and technology. Nearly a third of this group's households earn more than \$250,000 annually. Now at the peak of their careers, many are starting to contemplate comfortable life investments, as more than half already own secondary or vacation homes.

As consumers, the Power Elite have regal tastes. They're philanthropic supporters of the arts who go to plays, classical music concerts, dance performances and museums. With many of their kids grown, they're free to go out to dinner, watch a movie or take in another evening event. Weekends are reserved for trying to catch up with life, with such activities as antiquing, gardening or gathering with friends at parties. These are also health-conscious households who set aside regular time to exercise at a health club or with a private trainer; no group has more golf or tennis enthusiasts.

Power Elite have the highest level of investments (stocks, bonds and mutual funds), buying real estate and carrying credit cards - typically the gold and platinum varieties. As the nation's strongest market for luxury goods, many drive luxury imports, outfitting their vehicles with satellite radio and GPS systems. Some collect cars like paintings; nearly two-thirds own three or more vehicles. Given their passion for anything cutting-edge, it's not surprising that they stay current with the latest fashion, buying designer labels at high-end retailers and boutiques. With their busy lifestyles, they also purchase items from mail-order catalogs and luxury Websites. Unsurprisingly, they are adopters of all the latest and greatest technology.

To satisfy their curiosity about the world, they travel widely in the U.S. and abroad, visiting virtually every country that can be reached by plane, train or cruise ship. They travel in style; they're more than twice as likely as average Americans to have spent more than \$5,000 on their last trip, whether it involved hitting ski slopes, wandering island beaches or teeing off at exclusive golf courses. These are the Americans who sport the envied glow of a winter tan.

Power Elite make a strong media audience. They have above-average interest in watching TV and reading magazines, especially business, epicurean, literary and news titles. They're fans of TV and radio, though not the advertising; they mute the audio or change the channel when a commercial comes on. They spend a relatively large amount of time on the Internet managing their financial affairs and shopping at premium retail Websites. However, they're not only about being acquisitive; they also give away a lot of money to charitable causes to support education, the arts, political parties and public broadcasting. For many, their engagement calendars are studded with philanthropic dinners, political fundraisers and charity balls.

As for their political leanings, these active voters are mostly right-of-center. The highest concentration belongs to the Republican Party, but there are also pockets of limousine liberals, and nearly a third call themselves Democrats. No matter their politics, many share an interest in international events.

Digital behavior

The educated and wealthy households in this group are among the nation's more prodigious users of digital media. These early tech adopters have large appetites for high-speed modems, wireless technology and accessing the Internet through their cell phones, handheld devices and other mobile devices. The Internet is a major source of information as well as a tool to shop, bank, trade stocks and book travel arrangements. They also go online to read business articles, research products, get the latest news and weather report, and share their own views through blogs. Among their favorite Websites: msnbc.com, expedia.com, finance.yahoo.com, wsj.com, cnn.com and drudgereport.com.

Group B: Flourishing Families

Affluent, middle-aged families and couples earning prosperous incomes and living very comfortable, active lifestyles

Overview

Typically found in communities located a short drive from malls and giant warehouse clubs, the four segments in Flourishing Families contain prosperous parents and children of all ages living life in suburban comfort. Most of the adults are married, in their 30s and 40s, college-educated and predominantly white with a large presence of Asians. Nearly two-thirds of households consist of married couples with children, whose ages range from pre-school to post-graduate. With high incomes and diversified assets, many parents have attained a level of financial stability that allows them to kick back and enjoy their quiet residential neighborhoods. Nearly one in five households contain a young adult, while some are still coping with the challenges, and high costs, of childrearing.

Scattered across the country in the bedroom suburbs of large cities from New York, N.Y. to San Francisco, Calif., Flourishing Families tend to live in spacious homes where they've built up significant equity. Many of the homes, which were built between 1970 and 2000, are starting to show some age. They're still valued on average at more than \$300,000 thanks to their well-groomed yards, coveted locations and spacious interiors that can accommodate the young adults still living at home.

In Flourishing Families, most of the adults have turned their college educations into lucrative positions in management, law, education, public administration or scientific professions, and most households contain dual earners, resulting in a healthy six-figure income. The money supports a car-dependent culture where commuting to city jobs is a fact of life. For these family households, their vehicles of choice for cruising from the office to ball fields to grocery stores are SUVs and minivans from Japanese automakers known for their well-designed and reliable vehicles.

With kids of all ages in this group, their leisure activities revolve around family-friendly fun. These households are big on sports of all sorts. Some are outdoor sport enthusiasts and like cycling, skiing, ice skating, mountain biking and backpacking. Others focus on a round of golf or playing a match of tennis. They like to take their families on warm-weather vacations to Hawaii and the Bahamas. To keep their youngsters occupied on weekends, they head to museums, zoos and aquariums. The parents get some me-time while dining out, going to movies and enjoying cultural offerings like plays and classical concerts. Fitness buffs, they like weight training, aerobics and yoga classes.

There's money in Flourishing Families, and these households are willing to spend it on their children. This is the prime market for toys, sporting goods and digital games; they regard shopping at Sports Authority, GameStop, Michaels and A.C. Moore as

entertainment. While the members of this group have the income to spend, many of the parents are also looking for bargains at Kohl's, Costco and T.J. Maxx. Many prefer the ease and convenience of shopping through catalogs and Websites. These households rarely go on a major shopping expedition without first planning their trip over the Internet.

The multitasking Flourishing Families have little time to devote to traditional media. They're only average fans of TV, radio, newspapers and magazines; much of their news-gathering now takes place on the Internet. However, they do like watching sitcoms, dramas and reality programs; their favorite cable networks include ESPN, DIY and Cartoon Network. Their taste in magazines runs toward Entertainment Weekly, Real Simple and Road & Track. They no longer enjoy most TV commercials, noting that they think advertising to children is wrong. They're more receptive to online ads, however; they're willing to click on email ads, use sponsored Websites and check out links. These active families also notice ads in movie theaters.

Somewhat more conservative than other family groups of their age, the segments in Flourishing Families are more Republican than Democratic. They're progressive on immigration and the arts and they put politics aside when it comes to philanthropy, giving to health, welfare, environmental, arts and religious groups.

Digital behavior

The well-educated members of Flourishing Families take their digital media seriously. The Internet is the first place they go to get the latest news, do their banking, research products and shop for a wide range of goods. They also like to go online for family entertainment, whether it's making digital photo albums, downloading music or watching TV programs. While they try to steer their children to educational Websites, their kids also spend hours looking at sites selling games, toys and music. They frequent media sites that reflect their interest in news and commentary: abcnews.com, msnbc.com and foxnews.com. It's difficult to find a computer accessory that they don't buy at high rates: DVD burners, video controllers, microphones and webcams all come standard with these families.

Group C: Booming with Confidence

Prosperous, established couples in their peak earning years living in suburban homes

Overview

The four segments in Booming with Confidence contain married couples in their peak earning years and approaching retirement. Many of the households have dual incomes and few children, allowing them to afford fashionable homes on small, manicured yards in city and suburban neighborhoods. Having made a conscious effort to distance themselves from the noise and chaos of the urban core, they've retreated to the quiet and predominantly white homogeneity of desirable neighborhoods only a short commute from their jobs.

Most households in Booming with Confidence are found in relatively new subdivisions in the West and Northeast on tree-lined streets worth more than \$330,000. With a majority having lived at the same address for more than 15 years, many have built up equity in their homes that supports their comfortable lifestyles and leisure activities. Their houses are also large enough to accommodate the quarter of households that have a young adult still living at home.

With six-figure incomes, Booming with Confidence are at the peak of their careers in white-collar professions in business, law, public administration, education and science. Given their college degrees and foreign travel, there's a cultured air to these segments. If they fly a flag above their front door, it's rarely an American flag; one depicting flowers, pets, or their college alma mater is much more common.

Booming with Confidence tend to have sophisticated tastes. With their well-appointed homes, solid incomes and diversified portfolios, they can afford to live the good life. They like to spend on nightlife, going to plays, concerts, movies and restaurants. On weekends, they can be seen touring museums and antique shops, always on the lookout for objects to add to their collections. They travel widely, taking getaways to Caribbean beaches and visiting nearly every country in Europe at more than twice the national average. At home, they like to relax by reading, gardening and entertaining friends and family. Their end tables are stacked with old copies of Smithsonian, The New Yorker, Gourmet and Metropolitan Home.

As consumers, Booming with Confidence have conservative tastes; they're attracted to classic fashions that have stood the test of time and mid-range sedans from both domestic and foreign automakers. With many still in the workforce or volunteering for charitable causes, they wear smart styles and designer labels they find at favorite mall retailers like Nordstrom, Talbots, Anne Taylor and Chico's. Many patronize local shops they've frequented for years when stocking up on wine, gourmet food

and books. They'd never qualify as early adopters, but they like to equip their homes with the latest flat-screen TVs and carry new smartphones. These folks pride themselves on quiet good taste rather than ostentatious display.

Despite their busy lifestyles, Booming with Confidence make time for traditional media. They watch an average amount of TV, enjoying the programming on cable networks like A&E, CNN, ESPN, History, National Geographic, TCM and the Travel Channel. Radio is popular among these daily commuters, especially the stations that offer news, sports, classic hits, golden oldies and classical music. Among Booming with Confidence segments, though, nothing compares to their obsession with traditional print media. They read daily newspapers from cover to cover and subscribe to science, travel and news magazines. No fans of advertising, they will, nevertheless, read ads in print media and are receptive to the messages that appear in movie theaters.

Booming with Confidence are active in their communities, and they frequently belong to arts groups, veterans' clubs and churches and synagogues. Politically, they tend to be moderates with a disproportionate number affiliated with the Republican Party. However, these centrists rarely take strong stands on many social issues and only a small percentage will ever be seen marching in a protest. That doesn't mean they're unwilling to donate money to causes that take tough stands on contentious issues, though. Indeed, many members of this group say they support a variety of charitable organizations because, intellectually and morally, it's the right thing to do.

Digital behavior

The older couples in this group make a solid audience for digital media. They use the Internet for utilitarian purposes: to trade stocks, get news, book airline tickets and follow the leaders on the PGA tour. Increasingly, these silver surfers are going online to shop, both gathering information about products and making purchases. Although they're still not comfortable using social networks, they do go online to stay in touch with family and friends by sending emails and photographs to loved ones.

Group D: Suburban Style

Middle-aged, ethnically-mixed suburban families and couples earning upscale incomes

Overview

The four segments in Suburban Style are filled with ethnically-mixed, middle-aged couples and families with children enjoying upscale lifestyles. Concentrated in suburban neighborhoods, these households are in the middle childrearing phase of their lives, coping with growing families, mid-level careers and monthly mortgage payments. Despite incomes nearing six figures, these 30- and 40-somethings still face high transportation costs in their suburban neighborhoods. However, they're happy to be bringing up their children in these middle-ring suburbs known for quiet streets and short commutes to in-town jobs.

Suburban Style aspired to live in a leafy suburb with a nice garden and fresh air. Their homes, often surrounding big cities in the Northeast and South, are well-preserved homes on curvy streets built in the last half of the 20th century. Housing values are slightly above average. Many homes have a basketball goal in the driveway or a Weber grill out back. On weekends, the sidewalks are filled with teens skateboarding, biking, in-line skating and shooting hoops.

With their slightly above-average educations - more than half have gone to college - parents in Suburban Style work at white-collar jobs in business, public administration, education and technology. Many are raising families on upscale incomes thanks to two or even three workers in the household; nearly 20 percent have a young adult living at home. Their solid incomes and built-up equity allow them to qualify for home equity and car loans; two-thirds of households own three or more vehicles. Among these segments, the highest concentration of homeowners has lived at the same address for over a decade.

Suburban Style have rich leisure lives. They spend a lot of their free time engaged in sports like baseball, basketball, swimming and biking. Thanks to older children still at home, this group also enjoys sports, including scuba diving, karate and water skiing. For a night out, adults head to movies, restaurants, plays, comedy clubs and rock concerts. With excursions to zoos, aquariums, bowling alleys and theme parks as well as regularly scheduled piano lessons and hockey practice, it's not uncommon for parents to put 50 miles on their car every weekend. Many fret that their children are over-programmed and need more unstructured playtime. When they get home, they're often too tired to care and they end up collapsing in front of the TV. With friends they might play cards or computer games - anything to take their minds off the next bout of activities, errands and appointments.

With their mix of solid incomes and educations, Suburban Style tend to be fashion-forward consumers who like to check out new styles and products. Children influence the marketplace patterns, as seen in the group's embrace of people-moving

vehicles like SUVs and minivans and their tendency to patronize big-box discounters, toy stores and sporting goods retailers. With gadgets galore, these tech-savvy consumers also purchase all manner of electronic devices - smartphones, laptops and MP3 players - and can practically download music, games and TV shows in their sleep. They're happy to shop online or use catalogs to avoid the traffic jams in mall parking lots.

The busy families in Suburban Style make only an average market for most media. However, they watch premium TV channels like Speed, IFC, BET and TV Land. They spend a lot of time in their cars listening to radio stations that air news, sports and classic and modern rock. Though their interest in most print media seems to be waning, they still like to read magazines that cover parenting, health, food, entertainment and the African-American community. More and more, they're getting their news and entertainment from the Internet. While they're ambivalent about advertising on most traditional channels, they do respond to email ads, sponsored Websites and links.

With their strong attachment to their local communities - they belong to unions, churches and PTA groups - Suburban Style are also active politically. They tend to be right-of-center moderates who are slightly more Republican than Democrat in their party affiliation. However, there are few causes that they advocate at high rates. On election night, it's often a toss-up on how they will vote.

Digital behavior

The Gen Xers who make up most of the adults in Suburban Style represent the first generation to make the Internet part of their daily lives. Now fluent in high-speed wireless and cellular technology, they're active users of digital media for a wide variety of applications. They go online to bank, telecommute, get stock information, bid on auctions, listen to Internet radio stations and get movie reviews. They often visit electronics, fashion, business and children's sites. Many are comfortable making purchases via online retailers.

Group E: Thriving Boomers

Upper-middle-class baby boomer-age couples living comfortable lifestyles settled in town and exurban homes

Overview

The three segments in Thriving Boomers feature empty-nesting couples in their 50s and 60s who long ago fled the cities for quiet towns and upper middle-class resort communities. Most of the households contain childless couples who've lived at the same address for over a decade and are now beginning to contemplate their retirement. Others are more recent arrivals who've left large homes in bedroom suburbs to downsize to more manageable houses and condos. While some of their peers have migrated to active retirement communities, these folks are content to live in their mixed-age neighborhoods, not to mention their mixed-aged households: one-quarter has an aged parent or young adult living at home.

Thriving Boomers are concentrated in small cities and towns, including popular vacation destinations like Santa Fe, N.M., Berkeley, Calif., Vail, Colo., and Nantucket, Mass. Their housing stock varies from older ranches to mountainside bungalows and beachfront condos. Although they're nearly twice as likely as average Americans to live on large properties of up to four acres, they also enjoy a change in scenery from time to time, as seen in the many who own vacation homes.

An educated group, a majority of households has at least one member with a college degree; these couples typically have white-collar jobs in public administration, law, education and sales. Their mid-level positions provide above-average incomes, though nearly a quarter of adults are retired. With their strong earnings over the course of many years, they've managed to build diversified 401(k)s and IRAs to ensure a comfortable retirement. These fiscal conservatives also like to buy long-term CDs and invest in money markets to protect their portfolios from the vagaries of the stock market.

Half of Thriving Boomers may be grandparents, but they've hardly retired to a rocking chair. Many are much different than preceding generations at the same point in life. They exercise regularly, enjoying biking, hiking, hunting, snorkeling and golf. These educated Americans frequent the theater, museums and classical music concerts, and many like nightlife activities like going to bars, nightclubs and comedy clubs. They dine out often at steakhouses and chains and have a soft spot for restaurants like Bob Evans and Cracker Barrel that offer home-style fare. They travel often, visiting Caribbean beaches, taking Mediterranean cruises and driving RVs to parks and tourist sites across America. To relax at home, they like to garden, read books, cook and do woodworking.

As consumers, Thriving Boomers tend to be practical shoppers who like functional clothes at good prices. They rarely buy products to make a statement, and they patronize a wide variety of retailers - from discounters like Dress Barn and Sam's Club

to retail chains such as Chico's and Coldwater Creek. They're late adopters when it comes to technology, with below-average rates for owning smartphones and MP3 players, but they're willing to splurge on a flat-screen TV.

Though few have flashy cars, many own late-model trucks made in Detroit. American-made products, they declare, set the standard.

Thriving Boomers are selective media consumers, though they embrace both traditional and new media. They're among the top readers of newspapers, especially the travel, science, movie and editorial sections. These outdoorsy folks like to read fishing and hunting magazines along with newsweeklies and automotive publications. They listen to the radio fairly often, tuning in to golden oldies, classic rock, adult contemporary and news talk stations. They're especially fond of TV news, documentaries, history programs, dramas and how-to programs aired on cable channels like History, HGTV, TCM, the Travel Channel and Fox News. They're no fans of TV commercials - or most advertising for that matter - but they respond to billboards and links on the Internet.

The Americans who launched the counterculture revolution continue to be activists. Many are rooted in their communities and they often belong to veterans' clubs, arts groups and unions. Politically, they're ideologically split, with about equal numbers belonging to the Democratic and Republican parties. However, they tend to be more liberal on social issues and advocate corporate ethics. On issues they feel strongly about, they're willing to join a protest march.

Digital behavior

Thriving Boomers are active users of the Internet, comfortable going online to shop, telecommute and bid on auctions. They access the Internet for a variety of activities: booking flights, trading stocks, following political events and looking up health and medical information. They frequently surf to Websites like huffingtonpost.com, fidelity.com, craigslist.org and tripadvisor.com. They mostly go online from the comfort of their desktop or laptop computers; they're only half as likely as the general population to access the Internet using their cell phones.

Group F: Promising Families

Young couples with children in starter homes living child-centered lifestyles

Overview

Promising Families consist mainly of Generation Yers who've married, moved into their first homes and started families. With three-quarters under the age of 35, these predominantly white households live in small homes in affordable new subdivisions. In the two segments that make up this group, most of the adults are recently married, new to the workforce and raising young children, who are mostly of pre-school age. In this group, the American dream is characterized by a computer in the family room, a trampoline in the backyard and an SUV and multiple bikes in the garage.

Promising Families are found in the rapidly-growing towns and small cities of the West and South; and one segment has a high concentration living in military base communities like Quantico, Va., Camp Lejeune, N.C., and Colorado Springs, Colo. Most of their homes are modern ranches, bungalows and split-foyer houses that were built since 2000. However, because of their locations on the outer edge of the urban sprawl, the housing is affordable, with below-average values. While they've typically been at their current address for fewer than five years, these young families have quickly come to appreciate their safe subdivisions, new schools, abundant ball fields and convenient discount retailers.

The educational achievements among Promising Families members are above average, with one-third of household heads having either bachelor's or graduate degrees. That level of schooling translates to a wide variety of occupations - from business, technology and the military to science and homemaking. Though most of the adults are earning only entry-level pay, the dual-income households have enough disposable cash to lead rich leisure lives.

In Promising Families, life revolves around young and active families. It's hard to find a team sport - especially baseball, basketball, soccer or football - which they don't like. They keep fit by jogging, roller skating, yoga and doing aerobics. These parents are still young enough to enjoy nightlife and - after getting a babysitter - often go out to restaurants, bars, nightclubs, movie theaters and billiards halls. Many keep their kids occupied on weekends by taking them to a bowling alley, swimming pool, aquarium or pool. Casual dining restaurants are popular among these families. At home, they spend their leisure time on the Internet, playing games, listening to music or working on their hobbies (such as photography). During school breaks they travel frequently to domestic beaches, theme parks and the campgrounds where they enjoy boating and hiking.

Promising Families like to shop, though they're price-sensitive. They like to stretch their money, typically waiting for sales, patronizing factory outlets and heading right to the clearance racks. These shoppers are a strong market for electronics; they

buy all manner of video and audio equipment. To chauffeur their kids to extracurricular activities and family outings, they rely on large cars like CUVs, minivans and SUVs. New or used, it doesn't matter - as long as it's an import.

Promising Families have only selective interest in media, with most of their program choices reflecting their preoccupation with childrearing. They seem to have given up on subscribing to newspapers and they have below-average interest in magazines. However, they will make an exception for parenting, sports and men's magazines such as Baby Talk, ESPN, Maxim and Parents. They listen to the radio, especially during drive-time, to stations that offer sports, modern rock, adult contemporary and contemporary hit songs. On TV, they're big fans of sitcoms, reality programs and animation, especially shows that appear on Nickelodeon, Disney, Cartoon Network and Comedy Central. In this group, the parents enjoy watching "SpongeBob SquarePants" almost as much as their kids.

Politically, Promising Families are somewhat conservative and care deeply about family values. They describe themselves as Republicans. Relative newcomers to their community, they belong to few groups other than the PTA and their local church or synagogue.

Digital behavior

The tech-savvy families in Promising Families are active users of digital media. They go online for a variety of utilitarian purposes - to buy toys and hobby items, bank, make travel arrangements, trade stocks and get the weather report - and to keep their children entertained at home with music, videos, games and Internet radio. Technology also helps them juggle work and childcare: they're twice as likely as average Americans to use their personal computers for telecommuting. These busy parents also go online to get information about products and services available near their new subdivisions. Among their favorite Websites are those that focus on sports (espn.com, sportsline.com), classifieds (craigslist.org, usajobs.opm.org) and child-oriented amusement (clubpenguin.com, toysrus.com).

Group G: Young City Solos

Younger and middle-aged singles living active and energetic lifestyles in metropolitan areas

Overview

The two segments in Young City Solos contain younger and middle-aged singles living in city neighborhoods. More than 90 percent are unmarried. Most are in their 30s and 40s, white and childless, part of a demographic trend of delaying marriage while living alone or cohabitating with a partner. While economic insecurity is one reason some singles avoid marriage and having children, these young professionals report above-average incomes topping \$75,000 a year, and they seem to be thoroughly enjoying their unattached status.

Young City Solos are concentrated in the nation's largest cities, in housing that caters to the increasing proportion of one-person households of homeowners or renters. Many live in well-appointed condos or apartments built during the last century. The homes, whether Victorian or postmodern in style, fetch above-average prices thanks to their in-town locations.

Young City Solos boast above-average educations, with most having at least some college or a bachelor's degree. They work at a mix of professional, technical, sales and service-sector jobs, typically working for the government, a university, hospital or a large company. In these progressive segments, there's equality between the sexes at home and on the job. Even among cohabitating couples, their dual incomes support upper middle-class lifestyles.

Young City Solos lead fast-paced and active lifestyles. These unmarried folks devote a lot of their discretionary cash to nightlife activities, often going to bars, nightclubs, plays, dance performances, concerts and rock shows. They keep their healthy lifestyles by staying fit and joining a health club to make use of the cardio machines, weights and yoga classes. They like to jog, play tennis, bike, hike and swim. They dine out often at white-tablecloth restaurants, where they like gourmet food and dishes presented like art. Although they travel as much as the average, many have gone abroad in the last three years to visit Europe, Asia and the Caribbean. They like visiting places that allow them to meet new people and experience different cultures.

As a result of their typically small homes and even smaller closets, Young City Solos would hardly qualify as shopaholics. They're infrequent consumers who prefer local boutiques to national chains, though they will go to discount retailers. Despite their youth, they're financially experienced and have started building a retirement nest egg filled with a variety of stocks, preferred stocks and mutual funds. With many commuting to work by public transit, they're a relatively weak market for cars, especially large American vehicles. However, these early adopters make up for it in their passion for new electronics: they own

smartphones and MP3 players, the better to indulge their passion for music. Many like listening to jazz, pop, reggae, hard rock and traditional soul.

Multitasking Young City Solos don't have much time for traditional media. They rarely subscribe to newspapers. They're often too busy to sit down to watch TV. They don't often listen to the radio, though they do like tuning in to stations that offer news, talk, hot adult contemporary

music, classic hits and contemporary hits. Though they're not big on print media, they will subscribe to magazines such as Fortune, Food & Wine, The New Yorker, Marie Claire and Men's Health. They prefer the Internet for entertainment and they note that they're spending less time with other media because of it.

Young City Solos are staunch liberals who volunteer for social causes, vote Democratic and march in protests to protect the environment. They belong to arts groups that support dance, symphonic music and opera. Globally-minded, they're interested in other cultures and champion human rights abroad. While they want to succeed economically, they don't want to work for organizations with weak ethical reputations.

Digital behavior

The most web-savvy of the groups, Young City Solos are nearly twice as likely as average Americans to use the Internet. They go online for business and pleasure: to look for jobs and homes, get the news and weather, and bank and make travel arrangements. They also regard the Internet as their main source of entertainment; they play games, listen to Internet radio and check out potential matches - popular Websites include eharmony.com and linkedin.com. They've made the Web part of their daily life, and they're comfortable going online at home, work, the library or a hotel. These mobile Americans are no longer tied to desktop machines; they access the Internet on their Wi-Fi-enabled laptops and mobile phones. They're always on the lookout for new and unusual Websites.

Group H: Middle-class Melting Pot

Mid-scale, middle-aged and established couples living in suburban and fringe homes

Overview

Middle-class Melting Pot are mostly married, middle-aged people without children living in suburban neighborhoods. Many of their homes were built during the postwar baby boom, but these couples aren't the original owners. Most Middle-class Melting Pot have lived at their current address for fewer than five years, having moved to their comfortable homes to ease quietly into middle age. Nearly two-thirds are between the ages of 35 and 50. More than 80 percent have no children at home. These predominantly white households include above-average concentrations of divorced and widowed individuals. Most are empty-nesting couples concentrating on their careers and relaxed lifestyles.

Middle-class Melting Pot are found in the older neighborhoods of small towns and cities across the country. The highest concentrations live in the West and Northeast, but some also have moved to resort communities like Hilton Head, S.C., Lake Arrowhead, Calif., and Warren, Vt. With a majority of the homes built before 1960, housing values are below average. However, most of the homes are well-maintained and set on quarter-acre lots. These residents find comfort in their stable neighborhoods filled with overgrown trees, top-of-the-line grills and recent, imported sedans.

Middle-class Melting Pot have middling educational backgrounds. However, they've managed to turn high school diplomas and some college classes into a mix of skilled blue-collar, sales and service-sector jobs. Although they have middle-class incomes, many have a tenuous hold on the American dream. Most have below-average levels of investments and a comfortable retirement is hardly assured. In this group, many worry about maintaining their standard of living and their present level of comfort.

In their stable neighborhoods, the Middle-class Melting Pot pursue low-stress, unpretentious lifestyles. They like to read books, watch TV, garden, do woodworking and display their collections of Hummel figurines and Precious Moment porcelains. They're the casual folks whose idea of nightlife is to go to a bowling alley, movie theater or home-style restaurant. They're not big on strenuous outdoor exercise, but many belong to a health club where they like to use the rowing and cardio machines. When they take a vacation, which they do as often as average Americans, it's often to a destination within the U.S.

As shoppers, Middle-class Melting Pot are both price-conscious and brand-loyal. They like to shop at brick-and-mortar stores that offer large selections of merchandise and mainstream brands. Many patronize nationally-known department stores and warehouse clubs such as Target, Costco, Sears and Macy's. They drive to these stores in sedans and luxury cars - typically

used imports from Honda, Toyota and Mitsubishi. Though they rarely buy through mail-order or over the Internet, they do respond to TV.

Middle-class Melting Pot are average media fans, following the general population in their appreciation of traditional and new media. They're middling fans of newspapers, turning first to the news, entertainment and sports sections. Many like to relax with a magazine, subscribing to publications like Self, Men's Health and Motor Trend. They often listen to, tuning in to adult contemporary, golden oldies, modern rock and classic hits music. While the Internet has siphoned away some of their attention, they remain true to TV, their first love - particularly movies and dramas found on premium cable channels like HBO, Showtime and Starz. Although many proclaim that they're TV addicts, that perspective doesn't extend to commercials. Most find TV ads annoying, preferring ads on billboards and in movie theaters.

Politically, Middle-class Melting Pot are left-of-center. They're more likely than average to vote Democratic on Election Day. They do worry about the environment and air pollution caused by cars. Many of these one-time activists are willing to march in a protest if they feel strongly about an issue. However, because they've only recently moved to their neighborhoods, they are only modestly involved in community organizations.

Digital behavior

Middle-class Melting Pot are only average users of digital media. They're late adopters of most technology and have yet to give up their desktop computers for smartphones and laptops in order to access the Internet. Many use the Internet as a communications tool, going online for chat forums, message boards, podcasts and instant messaging. They also frequent Websites that provide news, business classifieds, real estate listings and sports information of all stripes: fishing, football, car racing or fantasy baseball. They haven't completely embraced online shopping yet, exhibiting only an average tendency to research products and make purchases over the Internet.

Group I: Family Union

Mid-scale, middle-aged and somewhat ethnically-diverse families living in homes supported by solid blue-collar occupations

Overview

In Family Union, a mix of Hispanic and white families live in middle-class comfort within the sprawl of major metropolitan areas. Many of the households contain older, Mexican immigrants and their children who have worked hard, settled in modest houses and established a comfortable lifestyle for their families. They tend to live in multi-ethnic and multi-lingual neighborhoods, some speaking Spanish in shops and cafes, driving used American sedans and minivans, and filling their homes with food and decorations that remind them of their homeland.

The four segments of Family Union are found across the country, especially in the West and Midwest in cities like El Paso, Texas, Albuquerque, N.M., and Los Angeles, Calif. Members of this group typically own small ranch and revival-style houses valued at below-average levels. Compared to past generations who clustered in downtown apartments, almost all of these residents are homeowners and live in established, inner-ring suburbs. On neat streets with landscaped lawns are the signs of middle-class status: boats, motorcycles and recreational vehicles. Half of all households have lived at the same address for more than a decade.

Family Union have only average educations, with one-quarter of household heads having failed to finish high school and about 15 percent having college diplomas. But they earn mid-scale incomes thanks to multiple workers - nearly one in five households contain a young adult living at home - who hold jobs in blue-collar and service-sector occupations, such as construction, manufacturing, transportation and food services. Despite their working-class jobs, they've managed to achieve middle-class status through determination and a yearning for personal achievement. They're most likely to say, "I'm willing to give up time with my family to advance".

Family Union are vibrant and active. At home, many of the Hispanic families speak Spanish, celebrate Latin holidays and keep up with Latin news and music. They go out to movies, bars, comedy clubs and dance performances, and they engage in plenty of sports with their families, including soccer, baseball, basketball and boxing. When they go out to eat, they're more likely to go to a local eatery or a fast-food chain like KFC, El Pollo Loco, Del Taco or Little Caesar's. Nearly half have traveled to a foreign country in the last three years, typically Mexico, Cuba or the Dominican Republic.

Family Union like to shop. They like to keep up with the latest fashion and make a unique statement with their apparel. They tend to frequent neighborhood stores where they know the clerks and feel comfortable. However, if they want something with a

designer label, they head to discount department stores. With a tendency to buy MP3 players and flat-panel TVs, these family-centered households like to equip their homes with the latest appliances - even if they end up buying discount brands.

Family Union thrive on traditional media. They listen to the radio, especially stations that play salsa, Latin ballads, Mexican music, modern rock and classic rock. They like joining their children to watch Disney, Nickelodeon and MTV2. Though they have subscription rates for newspapers, they do enjoy reading Spanish and English magazines such as American Baby, Cosmopolitan, Hot Rod, Maxim and Popular Mechanics. These households like advertising - whether it appears on buses, in movie theaters or in magazines - to learn about the products in the marketplace.

Family Union belong to informal community networks centered on family and friends. But few are members of more formal organizations like PTAs, unions or arts associations. They have below- average rates for registering to vote, but those households that are politically involved tend to be Democratic, though of a conservative stripe. On economic issues, however, they're liberal and want few barriers to challenge their desire for upward mobility.

Digital behavior

Family Union make only modest use of the Internet. They tend to go online using their mobile phones or desktop computers, and those who can't afford home Internet access log on at their local schools or libraries. Many go online to communicate, participating in chat forums and message boards and sending instant messages and electronic greetings to their friends and relatives. They also use the Internet to download music, watch videos, visit children's Websites, shop for cars and check out job classifieds. Favorite Websites include craigslist.org, univision.com, gaiaonline.com and webkinz.com. However, they're not yet comfortable with shopping online.

Group J: Autumn Years

Established, ethnically-diverse and mature couples living gratified lifestyles in older homes

Overview

One of the nation's older groups, Autumn Years contains mostly mature couples retired in the same house where they've lived for much of their lives. Nearly two-thirds are over 65 years old. About the same proportion are married couples with grown children; about three-quarters are already grandparents. Predominantly white and lower middle-class, they've decided to stay in the old neighborhood rather move to a retirement community. Proud members of the Greatest Generation, these couples are rooted in their communities, often belonging to local art groups, veterans' clubs, unions, churches and temples.

Autumn Years are living the American dream of home ownership. Some 97 percent own a single-family home, typically in small towns or older industrial cities in the Northeast and Midwest-places like Buffalo and Syracuse, N.Y., as well as Pittsburgh and McKeesport, Pa. Many couples raised their children in these modest homes, which were built between 1950 and 1970. With their mortgages close to being paid off, they are now taking out home equity loans to add a second story or backyard deck. Comfortable in their tight-knit communities, nearly half have lived at the same residence for more than 20 years.

Autumn Years often came from humble beginnings; nearly two-thirds never went beyond high school. While more than half are retired, those who are still in the workforce hold jobs in farming, blue-collar professions or the service industry. These working-class jobs only provide below- average incomes. However, with their modest expenses and children out of the house, these couples enjoy easy-going and home-centered lifestyles that don't require high-powered salaries.

The members of Autumn Years enjoy their quiet leisure time. They tend to like to stick around the house to watch TV, read books, garden or pursue hobbies like needlework and woodworking. They have enough money from their regular investments in stocks and savings bonds to splurge on attending plays, classical concerts and country music performances. They make a prime audience for home-style restaurants, hitting the early-bird specials. Although they rarely engage in aerobic activities, they do like outdoor activities such as fishing and hunting. They're not big on foreign travel, but many will save up for a cruise to Alaska or an RV trip to national parks out west.

As consumers, Autumn Years admit that they're not very adventurous. They have a conservative fashion sense and are loyal to their favorite brands, patronizing mid-market and discount chains such as Sears, Kmart, Meijer and BJ's Wholesale Club. While they like to buy a new car every few years - typically a sedan or luxury car made in America - they resist new technology and the latest electronics. Even their car choices are staid nameplates like Buick, Chrysler and Mercury.

These older couples make a strong market for traditional media. Many subscribe to a daily newspaper, typically reading it from cover to cover. They listen to the radio during the day, particularly to stations that feature adult contemporary music, news, classic hits and classical music. They call TV their main source of entertainment, arranging their schedules around favorite TV programs like news, documentaries, how-to and game shows on cable channels like TCM, GSN, Hallmark and the History Channel. These seniors also appreciate women's and outdoors magazines that have been around for decades - titles such as Family Circle, Field & Stream, Reader's Digest and Good Housekeeping. They're not big fans of most forms of advertising.

Politically, this group consists of conservatives who actively support the Republican Party and favor traditional family values. Philanthropy is popular among these households, and many contribute to religious, health, environmental and political organizations. They're not too worried about their own status; many say that they're happy with their current lives and confident about the future.

Digital behavior

Most Autumn Years are not active users of digital media. They're less than half as likely as average Americans to use the Internet at home or work. They rarely go online using a cell phone, laptop or wireless connection; among those with an Internet connection, a disproportionate number use dial-up access. However, this group does contain many Web surfers who like to go online to bank, download games, get the weather report and check out lottery sites. Online shopping is only moderately popular, but these consumers will research products and make occasional purchases at sites like samsclub.com, kbb.com and ebaymotors.com.

Group K: Significant Singles

Middle-aged singles and some couples earning mid-scale incomes supporting active city styles of living

Overview

Significant Singles reflect the recent trend of Americans staying single longer and the growing acceptance of individuals remaining unmarried well into middle age or longer. This group contains four segments and consists mainly of singles between the ages of 36 and 65 living in rental apartments in city neighborhoods. Nine out of ten households are childless. While nearly half have never married, another quarter is starting over as divorced or widowed individuals. Members of this group are predominantly white with an above-average presence of Asians. Most enjoy an active singles scene with plenty of nightlife, progressive values and robust leisure lives.

Significant Singles are drawn to large and second-tier cities that offer the promise of affordable apartments and a lively atmosphere. Many live in garden-style apartments and duplexes concentrated in the Northeast and West Coast, in cities like Brooklyn, N.Y., San Antonio, Texas, Las Vegas, Nev. and Sacramento, Calif. More than three-quarters are renters. Some are sharing a unit in order to save on housing costs. These singles are not known for staying long: nearly half have lived at the same residence for fewer than three years.

Significant Singles tend to have solid educations - a majority has been to college - but most work at low-level sales and service-sector jobs in health care, education and food services. Even with multiple workers in their households, their total income is below average, providing little extra money for savings and investments. Only half have a car, typically an older subcompact or sedan from Ford or Honda. Forget about options - households here rarely own GPS systems, satellite radios, or DVD players.

Despite their modest incomes, Significant Singles enjoy active, urbane lifestyles. Many of these middle-age men and women long ago gave up on the singles bar scene but they still like to take advantage of their city settings and mingle with other singles at health clubs, adult-education classes and comedy clubs. Many are body-conscious and try to keep fit by pursuing a number of aerobic activities: jogging, swimming, soccer, tennis and in-line skating. When they're not out and about, they're happy to stay home and listen to music, read books, paint and entertain friends with their cooking. They confess that they like to eat gourmet cuisine whenever they can.

As consumers, Significant Singles seem to have champagne tastes on beer budgets. They tell researchers that they like to buy new fashion every season in order to make a unique statement with their outfits. However, they also admit that they're price-

sensitive shoppers who go to discount and mid-market retailers like Marshalls, Macy's, Gap and Nike. They head right to the clearance racks when they walk in the door. Although they like technology and want to buy new gadgets, they usually can't afford to and rarely own anything other than MP3 players and Blu-ray consoles.

Most media garner only moderate interest among Significant Singles. These households listen to the radio, typically tuning in stations that play modern rock and contemporary hits. They have below-average interest in TV, though they prefer cable channels such as AMC, Oxygen, Style, BET and CNBC. They're more likely than average to read newspapers, mostly for the entertainment, fashion, movies and classified sections. They declare that magazines are their main source of entertainment, noting they're especially fond of gaming, computing, music and epicurean titles. On their living room coffee tables, back issues of Self, Shape, Vogue and Vanity Fair form neat stacks next to their laptops, coffee mugs and free weights.

As mobile Americans, Significant Singles are not fertile ground for charities or political parties. Although they describe themselves as liberal Democrats, they are only as likely as the average to be registered to vote. They have strong feelings on many social issues and if they do feel strongly enough about a cause, these Americans are willing to march in a protest.

Digital behavior

Significant Singles use digital media often. Although they're unlikely to access the Internet for e-commerce transactions - few have interest in online shopping, banking and booking travel plans they do enjoy going to the Web for news and entertainment. They visit Websites that offer auctions, gambling, celebrity news and New Age information. Many use the Internet for utilitarian and relationship-building purposes, helping them locate a date, a used car or purchase movie tickets.

Group L: Blue Sky Boomers

Lower- and middle-class baby boomer-aged households living in small towns

Overview

In Blue Sky Boomers, older, empty-nesting couples and singles have settled in small towns and waterfront resorts in anticipation of their retirement years. The three segments in this group are about evenly divided between married couples and widowed and divorced individuals. More than 80 percent are between the ages of 50 and 65. Most are white and have high-school educations and working-class sensibilities. These households tend to work in sales and service-sector jobs, supporting a resort economy in towns that offer weekend getaways and longer summer vacations for wealthier city dwellers.

Blue Sky Boomers are found in small towns and waterfront resorts - both seaside beaches and lakefront communities - from California to Florida. Many households are concentrated in the South, with the warmer weather favored by retirees. These Boomers are homeowners who tend to live in modestly-priced ranch houses, cottages and mobile homes. With childrearing days behind them, they have the discretionary cash to purchase adult toys like boats, campers and pickup trucks. While vacationers may swell the streets of their towns every summer, most of these year-round locals have lived at the same address for over a decade.

Most Blue Sky Boomers are high-school educated and work at a mix of sales, service-sector, professional and blue-collar jobs, though nearly one-quarter of households contains a retiree. Unlike their seasonal neighbors, they earn lower-middle-class incomes, averaging about

\$55,000. However, because their expenses are low and their mortgages mostly paid off, many enjoy casual and comfortable lifestyles in their bucolic settings.

Located in surroundings like theirs, no one would fault Blue Sky Boomers for spending much of their leisure time outdoors. These households enjoy fishing, boating, hiking, hunting and gardening. However, they also have enough money - thanks, in part, to conservative investments - to travel regularly by car and RV to domestic locations. Their social lives typically revolve around their churches, clubs and unions. For a splurge, they'll go out to home-style and casual restaurants, take in a music concert or head to a weekend NASCAR race. When they want to relax, they like to read books, listen to music - from bluegrass to soul to classical music - do woodworking and needlework or have friends over for cards. These are the households that haven't forgotten the art of baking from scratch.

Blue Sky Boomers are no shopaholics. They keep their clothes as long as possible and shop only when they need to - preferably at local stores. When they go on a big shopping run, these price-sensitive consumers typically head to discount department stores to stretch their money like Walmart, Dollar General, Family Dollar and Big Lots. Many are late adopters of new products, especially consumer electronics. They don't often acquire the latest audio and digital devices: their living rooms are still outfitted with DVD players and traditional tube TVs. In this "buy American" group, residents look for domestically-made pickups and cars - and lots of them. More than half the households in this group own three or more vehicles.

In Blue Sky Boomers, traditional media still reigns supreme. To keep up with local news, many subscribe to a daily newspaper and read it from cover to cover. They also read magazines, especially those that reflect their down-home lifestyle, including titles like Country Living, Family Handyman, Ladies' Home Journal and Reader's Digest. This aging generation never lost their interest in music, listening to radio stations that play country music, golden oldies and classic rock. However, many consider TV their chief form of entertainment, tuning in to newscasts, game shows, dramas, how-to shows and history programs. They dislike most forms of advertising, opting out of direct-mail lists and avoiding TV commercials as much as possible. Many tend to be okay with the billboard advertising tucked into the landscape near their homes, though.

Politically, Blue Sky Boomers are a moderate lot: self-described Republicans with a right-of-center tilt. They're also progressive on environmental issues and protective of any threats to their rustic communities. While most wouldn't think of marching in a protest, they support causes financially, often backing arts, political, environmental and public broadcasting organizations.

Digital behavior

Still relative newcomers to digital media, Blue Sky Boomers are becoming increasingly comfortable with the Internet. The majority has a desktop computer at home, and they use the Web like a virtual library, visiting sites for information on subjects that are near to their hearts: cars, cruises, fishing and medical information. They also go online for business purposes, including banking, trading stocks and shopping. Though they're not completely comfortable with new technology - they're more likely to go online using dial-up access than a wireless connection or a mobile phone - they've made gunbroker.com, ebaymotors.com, seniorpeoplemeet.com and theanimalrescuesite.com some of their favorite sites.

Group M: Families in Motion

Younger, working-class families earning moderate incomes in smaller residential communities

Overview

The two segments in Families in Motion are dominated by young families living in small towns scattered across the eastern half of the country. Most of the households contain married couples between 25 and 45 years old. Half have families with two or more children. Many of these predominantly white households moved into their towns years ago to raise their children in safe surroundings and affordable homes. Today their towns are neither industrial centers nor high-tech boomtowns, but quiet communities with an employment base consisting of skilled manual workers in construction, manufacturing and the trades.

Families in Motion are found in older, working-class towns that have managed to weather the nation's transformation to a high-tech economy. Most of the housing stock is old and home values are low, at less than half the national average. But almost all of the members of this group are homeowners of single-family homes. In their remote settings, a disproportionate number have large lots between two and four acres - plenty of room to park their power boats, campers and motorcycles.

In these heartland communities, most families get by on modest educations. Three-quarters have either a high school diploma or some college, but only 10 percent have earned a college degree. With this level of schooling, the majority of adults work at blue-collar jobs - the highest rate in the nation - though some hold low-level positions in sales and the service-sector. While the pay may be below average, these dual-income couples make enough to support outdoorsy, child-centered lifestyles.

Life in Families in Motion looks a lot like it did a half-century ago. These young families enjoy a lot of outdoor activities, including swimming, fishing, camping, hunting and hiking. On weekends many take their kids to movies, bowling alleys and fast-food restaurants. At their homes, the adults like to gather together to play cards and games after enjoying a home-cooked meal. For vacations, they pile their kids into their trucks, SUVs and RVs and head to family-friendly motels and campgrounds near a theme park, state fair, zoo or aquarium. If there's a NASCAR racetrack nearby, so much the better.

Families in Motion are conservative shoppers who are loyal to brands and stores that provide them the most value. They prefer local retailers to national chains but, when they need a large selection of clothing or housewares, they're willing to drive an hour to a discount department store like Walmart, Kmart, Dollar General and Sam's Club. They'd hardly qualify as early tech adopters, but they still make a strong market for DVD players, DVRs, Blu-ray devices and MP3 players. These households are also proud gearheads: more than half own three or more vehicles, though they tend to buy used cars with American nameplates like Pontiac, Dodge, Plymouth and Chrysler.

With their busy leisure lives, these households have selective media tastes. They like to stay informed listening to radio, tuning in to stations that offer news as well as golden oldies, country, religious and adult contemporary music. They're average fans of TV, though they often watch programs with their kids on children's cable channels like Disney, Nickelodeon, ABC Family and the Cartoon Network. While they're not big on print media, they do subscribe to a number of magazines, including American Baby, Outdoor Life, ESPN and Family Handyman. Some have little patience for advertising, but many are receptive to messages on billboards, in movie theaters and over the Internet - whether as email, sponsored searches or links.

Politically, this is conservative territory. Families in Motion are almost evenly divided between Democrats and Republicans, but their political outlook is far to the right. They're religious, patriotic, and against big government. They rarely join organizations other than the PTA and their local unions, and they donate to relatively few causes. However, most are active in their local churches and they're always willing to contribute to a church project.

Digital behavior

The young families in Families in Motion often use digital media. They go online to communicate through instant messages, emails and message boards and chat forums. Many set up their desktop computers to entertain their children, and these households also use the Internet to play games, download music and watch videos. However, the grownups here are also Web-savvy, and they like visiting sites for social networking (facebook.com), motorsports (nascar.com), researching products (kmart.com) and gaming (zynga.com).

Group N: Pastoral Pride

Eclectic mix of lower middle-class widowed and divorced individuals and couples who have settled in country and small town areas

Overview

The four segments in Pastoral Pride are concentrated in small, country towns and characterized by ethnically-mixed, modestly-educated middle-aged couples and divorced and widowed individuals. Few households have children still at home. Having settled in remote villages and towns far from the urban centers, they enjoy their homes, their sleepy country communities and their steady, blue-collar and service-sector jobs. In their communities where solitude and self-reliance are cherished, they've managed to fashion a simple, unpretentious lifestyle.

Pastoral Pride are scattered across America's rural landscape, although most are found in isolated communities in the South and Midwest. Eight out of ten households own their homes, which tend to be modest ranch houses, farmhouses and mobile homes built during the last century. While their lots tend to be large, their properties are valued at only half the national average. Most have lived at the same address for over six years, and they show little desire to move on. With their low mortgages and limited expenses, many can devote more money to fancier trucks or muscle cars, typically bought used and retrofitted to handle the rugged roads.

Getting a college education is not a priority in Pastoral Pride. In high school, sports are bigger than academics. Most household heads earned a high school diploma, but only 10 percent have gone on to receive a college degree. That level of education is sufficient to land a blue-collar or service-sector job in construction, transportation, public administration or health care. Wages are below average and household incomes typically are less than \$50,000; members of this group stretch their grocery budgets the old-fashioned way, by hunting, fishing and gardening.

With households located far away from malls and movie theaters, Pastoral Pride like to spend their leisure time enjoying the outdoors as well as getting together with friends at social clubs, church groups and union halls. Entertainment typically involves playing cards, attending a potluck dinner or watching a game on TV while warming a seat at a local bar. When they take a vacation, most travel by car or truck and stay within the U.S. It's a big event when everyone heads to a state fair, country music concert or NASCAR race. For Sunday supper, families will go from church to a home-style restaurant or steakhouse like Cracker Barrel, Perkins or Sizzler.

Like other older, small-town consumers, Pastoral Pride are price-sensitive and brand-loyal. They tell researchers that discount department stores are just as good as upscale chains and they are perfectly happy shopping for clothes and household goods at Walmart, Kmart, Family Dollar and Dollar General. These consumers concede they're typically late adopters, limiting most of their electronics purchases to TV technology: DVD players, Blu-ray consoles and DVR devices. Smartphones and MP3 players might as well be gadgets from Mars, especially for this crowd that prefers to buy American.

In their remote communities, Pastoral Pride are average media fans. Many subscribe to newspapers and pay particular attention to the front page, editorial and classified sections. They describe magazines as a main source of entertainment, reading a mix of entertainment, women's and home-based titles that reflect their down-home lifestyle: Redbook, Country Living, Ebony, Family Circle, Woman's World and Hot Rod. They listen to radio stations that offer news as well as traditional country, album-oriented rock, gospel and bluegrass music. On TV, they tune in cable networks like CMT, Hallmark, DIY, truTV and the Lifetime Movie Channel. They find most advertising annoying, but ads on billboards, in movie theaters and in emails are less so. While the Internet hasn't changed their lives, they do recognize its potential for communicating with friends, family and strangers; some have discovered Websites like myspace.com and myyearbook.com.

Digital behavior

With their low educations and old-fashioned ways, most Pastoral Pride have little interest in digital media. Many concede that computers confuse them. They don't often use the Internet and are much more likely than average to use dial-up access from their home desktop computers. Those who do go online typically do so for business purposes, to bank, shop, participate in auctions and check out real estate classifieds. They also visit Websites about dating, families, pets, motorsports, wrestling and games. Many have also discovered the addictive quality of surfing the Internet: a high number expect to increase their Internet use over the next year.

Group O: Singles and Starters

Young singles starting out, and some starter families, in diverse urban communities

Overview

The six segments in Singles and Starters contain downscale Generation Yers with upwardly mobile aspirations. Concentrated in small cities across the country, these households tend to be young (nearly three-quarters are under the age of 35), ethnically-mixed and unattached (half are single while a quarter are single parents). Most are on their own and starting to build independent lives in apartments with other young singles. They're college-educated, though not necessarily college graduates, and many are toiling away at entry-level positions in service-sector jobs. These self-described workaholics share a desire to move up in status and they realize that every career journey starts with a first step.

Singles and Starters live in satellite cities across the country, including a number of college towns like Madison, Wis., Austin, Texas, Bloomington, Ind., and Tallahassee, Fla. Housing costs are low - the price of a house is a third below the national average - but most residents rent units in low- and high-rise apartment buildings that were built during the last three decades. Many are attracted to the college-town atmosphere of their communities with their commercial landscape of boutiques, pizza joints, cinemas and bookstores. However, these Americans are typically living in their first apartments, and they're hardly committed to staying in their neighborhoods for any length of time. Three-quarters have lived at the same address for fewer than three years.

In Singles and Starters, education levels are below-average even though the highest concentration of householders, 42 percent, has completed some college. Slightly more than 10 percent work at white-collar jobs in the professions or sciences, while nearly two-thirds work in low-level sales and service-sector jobs in retail, health care and food services. Nearly 20 percent are unemployed - the highest rate in the nation. On average, income in this group is about a third below the general population, but these households often are taking classes to qualify for better jobs.

Singles and Starters have active leisure lives. Because so many live in relatively small apartments, they spend a lot of time outside their units going to bars, nightclubs, movies and billiards halls. Still in the dating scene, these 20-somethings like to stay fit by jogging, in-line skating and playing sports like basketball, baseball and football. When they finally relax at their apartments, they're likely to read books, listen to a wide range of music and pursue hobbies like painting and playing a music instrument. Many prefer to spend time with friends in activities that take advantage of their city amenities. A high percentage declares, "people say my enthusiasm is contagious".

Singles and Starters are active and aspirational consumers. They like to wear the latest styles and search for designer labels they can afford at mid-market retailers and discount chains like Burlington Coat Factory, Express and Banana Republic. Their interest in the latest styles extends to home design; they fill their condos and apartments with furnishings from Williams-Sonoma and IKEA. This group provides a good marketing opportunity for the makers of electronics, given their tendency to buy new and emerging technology devices like MP3 players, handheld devices and Blu-ray players. Singles and Starters like to be plugged in - literally and figuratively- to the latest trends.

Singles and Starters are too busy for most traditional media. They're too young to have acquired the habit of reading a daily newspaper, and they don't often read most magazines, though they will make an exception for music, ethnic and entertainment publications like Rolling Stone, Jet, Cosmopolitan and Entertainment Weekly. On the rare occasions when they switch on their TVs, they typically watch sitcoms, reality programs, movies and game shows; their favorite cable channels include MTV, BET, Comedy Central and FX. They like having a rock 'n' roll soundtrack to their activities, keeping their radios tuned to stations that play classic rock, contemporary hits and adult contemporary music. Increasingly, they spend their free time online chatting, blogging and checking out social networking sites, to keep up with their real and virtual friends.

Politically, Singles and Starters are liberals who most often align themselves with the Democratic Party. Though they're willing to march for a cause, they rarely donate money to political or social charities. Their below-average voter registration rates also undercut their impact as a constituency.

Digital behavior

The young members of Singles and Starters are relatively active online, using the Internet less for transactions than for communication (joining blogs and chat forums and instant-messaging friends) - and entertainment (downloading games, listening to Internet radio and watching video streaming). Job and car sites are popular, as well as sites offering social media (blackpeoplemeet.com) and sports information (fantasy.nfl.com). These Americans have integrated the Internet into their lifestyles, going online with their cell phones or desktop machines, whether from home, school or when out and about.

Group P: Cultural Connections

Diverse, mid- and low-income families in urban apartments and residences

Overview

Cultural Connections are first- and second-generation Americans who are striving to improve their lives. The six segments in this group have one of the highest proportions of adoptive citizens in the U.S. More than half the households are Hispanic - more than four times the national average - and most consist of middle-aged couples with children and single-parent families. Many face enormous challenges: modest educations, low wages, uncertain jobs and language barriers. In these segments, 40 percent of residents were born in Mexico and mostly speak Spanish inside and outside their homes. While that may produce tight-knit Hispanic communities, it also hampers assimilation and advancement in American society.

The migration patterns of Cultural Connections reflect one of the nation's latest demographic changes. Instead of clustering in large metropolitan neighborhoods, many new Latinos now settle in small cities along the nation's southern border, from Texas to California, as well as Northeastern states like New York, where there is a ready market for blue-collar and service-sector workers. They live in older neighborhoods where the housing stock was built before 1950 and values today are only half the national average. They typically rent older apartments and houses, and their living situation can be somewhat transient. More than two-thirds have lived at the same address for fewer than three years, with many in a constant search for better jobs and nicer apartments.

Cultural Connections have below-average educations. More than half never finished high school; fewer than 10 percent have college degrees. Given this low educational achievement, many struggle with lower-paying service-sector and blue-collar jobs in construction and food services; their household income is 40 percent below average and many are unemployed. With fewer than half owning cars, they rely on public transportation. Yet for all their economic challenges, many would admit that their current lifestyle is an improvement over what they experienced in their homelands.

Cultural Connections pursue active, sports-intensive lifestyles. They often play team sports like soccer, basketball, baseball and football; they also enjoy more urban-associated activities like boxing and skateboarding. On weekends, they'll go to local establishments, nightclubs, a bingo game or dance performance, or they'll take their kids to family-friendly venues like zoos, theme parks, skating rinks and horse stables. At home, they like to pursue hobbies like painting, playing music and needlework. These young families don't seem to spend much time relaxing.

Despite their limited budgets, these households enjoy shopping and like to experiment with styles. They also like stores that offer lots of brands, especially discount stores such as Marshalls. A majority are unable to afford cars, but those who do tend to drive subcompacts, sedans and minivans, mostly used and imported. They find it hard to resist consumer electronics, often buying MP3 players, DVD players and videocams. With low rates for using credit cards and ATM machines, they typically pay for everything with cash.

Cultural Connections make a mixed audience for most media. Most like to keep up with Latin news, music and sports and they say that radio is their chief form of entertainment, especially stations that feature Mexican, Tejano, Latin ballads and salsa music. They rely on magazines to stay informed and they read English-language publications like Parents, Allure, Glamour and Maxim. Though they have little interest in watching most U.S. TV stations, they do like watching programs with their kids on MTV, Nickelodeon and VH1. Perhaps because they receive fewer ad messages than more upscale groups, they're receptive to a variety of ad channels: billboards, movie theaters, buses, trains and taxis. These consumers say that they're loyal to companies that advertise in Spanish.

While Cultural Connections mostly identify themselves as liberal Democrats, voting rates are low almost 40 percent below average. Only a small percentage is actively involved in the political process. They rarely donate money to political or other causes and fewer than 15 percent have ever marched in a protest.

Digital behavior

The middle-aged members of this group do not often go online, and relatively few access the Internet for transactional activities like banking, shopping and looking for work. They mainly use the Internet for entertainment and communication, often to stay in touch with family and friends living outside the U.S. Many join chat forums, post bulletin board messages and download music. They also use the Internet like a virtual encyclopedia to learn more about music, books, mobile phones and games.

Group Q: Golden Year Guardians

Retirees living in settled residences and communities

Overview

With more than 90 percent of members over 65 years old, Golden Year Guardians are the oldest group. The seniors in these four segments are predominantly white, poorly-educated and living on extremely modest retirement funds. Nearly two-thirds are widowed and living alone; the remainder are empty-nesting married couples. Many now reside in active retirement communities after having uprooted themselves from their family homes so they could live among people of similar ages and incomes. These members of the Greatest Generation typically came from humble origins and now enjoy unpretentious lifestyles.

Golden Year Guardians are scattered throughout the nation, though they're centered in Sun Belt suburban retirement communities like Sun City, Ariz., Delray Beach, Fla., and Laguna Woods, Calif. Many are still living the American dream of home ownership, though their modest cottages and bungalows are valued at three-quarters of the national average. A quarter live in apartments which are a mix of condos, garden-style apartments and older retirement homes, located in larger cities where they've lived for many years. Many have sought out communities where they could live free of urban concerns like crime and rush-hour traffic. Others have moved to new locations for a chance to establish new friendships and engage in new leisure activities.

With incomes half the national average, many Golden Year Guardians households face financial challenges as they struggle to get by on their Social Security checks and pensions. Only a small percentage has a substantial nest egg or investment portfolios. When they were growing up, many had few educational opportunities, and more than two-thirds failed to go beyond high school. They typically held jobs in the blue-collar and service sectors. Today, more than 80 percent are retired and living on fixed incomes. While many have paid off their mortgages - one-third has lived at the same address for over two decades - they still lack the discretionary cash to enjoy a carefree retirement.

Golden Year Guardians tend to lead quiet lifestyles. Their social life revolves around various community groups, and they belong to churches and synagogues as well as veterans' clubs and arts groups. They spend a lot of their time in their residences reading books, gardening and doing needlework. For fun, they like to play cards, see a play, try their luck at bingo, or go out to dinner at home-style restaurants like Bob Evans, Cracker Barrel and Old Country Buffet. Foreign travel is outside their budgets, but many enjoy a trip to Maine or North Dakota by train, excursion bus or RV. A big trip is a cruise along the Alaskan coast or around the Caribbean.

Golden Year Guardians tend to be conservative, whether the subject is politics or shopping. They stick to favorite brands when it comes to fashion, patronizing mid-market stores like Bealls, Stein Mart and Dillard's. While they like to buy new cars every few years - sedans or luxury models preferably made in America - they're more reticent about acquiring consumer electronics. They describe themselves as tech-shy, and buy no new electronic gadgets more than the average.

Golden Year Guardians are a strong market for traditional media. They subscribe to daily newspapers to stay informed and like listening to newscasts on the radio. They describe TV as their main source of entertainment; they watch news, movies, game shows and sitcoms. Many arrange their schedules around favorite TV programs, typically shows on cable networks like AMC, CNBC, the Golf Channel, Hallmark Channel and Movie Channel. These seniors are a prime market for women's and home magazines such as Martha Stewart Living, Family Circle, Country Living and Better Homes & Gardens. Most are still shy about the Internet, telling researchers that computers leave them baffled.

At the ballot box, it comes as no surprise that this group of seniors is solidly Republican. They have high rates for voting and describe their political outlook as "very conservative". Though they're not big on demonstrating over an issue, they will donate to political, environmental and health causes.

Digital behavior

Golden Year Guardians are not active in digital media. They have little high-speed Internet access, and they are late adopters of smartphones and handheld devices. However, they are discovering the Internet in increasing numbers, and recent research shows that they go online to browse sites that offer banking, insurance, travel and legal services. They enjoy sending e-greetings to friends and relatives. They're discovering the Internet as an information tool for news, political affairs and sports highlights involving golf, horse racing, baseball and motorsports. Among their favorite Websites are those related to health, illnesses and caregiving.

Group R: Aspirational Fusion

Multi-cultural, low-income singles and single parents living in urban locations and striving to make a better life

Overview

Aspirational Fusion are a transient group, with younger, ethnically-mixed singles and single parents in low-income neighborhoods. Concentrated in older, industrial areas, members of this group are drawn to the affordable, fixer-upper apartments where housing values are 40 percent below average. In the group's two segments, nearly three-quarters are under the age of 45, and nine out of ten households contain unmarried individuals. With nearly two-thirds of these households containing single parents, this group reflects the recent lifestyle trend of unmarried couples living together, especially among younger people who feel they are not ready for the financial commitment expected in marriage. Many are trying to raise families on low incomes and tight budgets.

Aspirational Fusion mostly live in satellite cities throughout the Midwest and Northeast, typically in densely packed apartment complexes in places like Tulsa, Okla., Muncie, Ind., and Schenectady, N.Y. The housing stock is old - half the homes were built before 1925 - and often located within an atmosphere of factory noise, litter-strewn streets and industrial odors. Any fancy restaurants, nightclubs or movie theaters left these areas a long time ago; they were replaced by corner grocers, carry-outs and hair salons. These low-rise apartments and brownstone row houses often serve as an entry point for those who are just starting out or starting over.

Education has not been a priority of many members of Aspirational Fusion. Nearly 45 percent never completed high school; only 6 percent have college degrees. Most adults work at low-level service-sector and blue-collar jobs in health care, food services and manufacturing, though unemployment is nearly twice the national average. Even many households having multiple workers, their income is less than half the national average. Clearly these workers struggle to get by and are always looking to improve their circumstances with a better job or apartment. Nearly half have lived at the same address for under a year, three-quarters for fewer than three years.

For Aspirational Fusion, their active social lives ease some of the burden of their economic challenges. Despite their low incomes, they manage to take advantage of many city amenities. They go to local establishments, nightclubs, movie theaters, plays and comedy clubs. They play a lot of sports in nearby parks and playgrounds, including basketball, baseball, soccer and football. Those with young children enjoy taking their kids to theme parks, aquariums and state fairs. Many like to wind down at home by listening to music, cooking and reading gaming magazines.

Despite their tight budgets, Aspirational Fusion are big on shopping, keeping up with the latest fashion and trying to make a unique statement with their clothes. They prefer to shop at discount stores near their apartments, but they also patronize national chains like Marshalls, Abercrombie & Fitch, Chico's and Fashion Bug. While only a third can afford to buy cars, many own electronic devices like DVD players and big-screen TVs. These households are serious music fans who don't mind splurging on the latest MP3 player to listen to reggae, soul, hip hop and rhythm and blues.

These households barely register when it comes to consuming most media. They rarely subscribe to newspapers or magazines other than parenting, food and entertainment titles. They don't often watch TV, other than cable channels such as BET, Cinemax, Disney, Lifetime, Oxygen and VH1. Notwithstanding their fondness for music, they have little tendency to listen to the radio. With many taking public transit to work, they're more likely to get their tunes from ear buds than car radios.

Politically, Aspirational Fusion are a mostly apathetic group. They have below-average rates for registering to vote, joining community groups or donating money to political and social causes. A majority align themselves with the Democratic Party, but many insist that their political outlook is more conservative than liberal.

Digital behavior

With their modest incomes and educations, Aspirational Fusion represents only a moderate digital market. However, many of these city-based minorities are big fans of telephony and access the Internet through their cell phones. They tend to go online for practical purposes, such as finding a job, an educational program or a car. Many also use the Internet for entertainment and social networking, and their favorite Websites include facebook.com, myspace.com and blackplanet.com.

Group S: Struggling Societies

Economically challenged mix of singles, divorced and widowed individuals in smaller cities and urban areas looking to make ends meet

Overview

The four segments in Struggling Societies reflect the nation's least affluent group. These households contain economically-challenged singles and divorced and widowed individuals living in isolated towns and cities. With modest educations and lower-echelon jobs, many struggle to make ends meet. Many of their communities face endemic problems associated with poverty and crime. As a group, the households are older (ages range from 45 to 75), ethnically-mixed, without children and transient. Half have lived at the same address for fewer than five years. Many of these unmarried and unattached singles have moved into these rundown communities with few resources other than a hope of starting over.

Struggling Societies are scattered across the U.S., but are found especially in small city markets in the South and Midwest. Even though home values are low, about two-thirds of the national average, only 40 percent own houses. Roughly half rent their residences, a mix of older ranch houses and crowded apartment buildings. One in ten lives in mobile homes. In their mixed-use neighborhoods, homes are often surrounded by commercial businesses and buildings.

Struggling Societies are not well-educated. Nearly half failed to finish high school. Almost 40 percent are unemployed. The majority work in mostly low-paying, entry-level jobs in health care, social services and the wholesale and retail trades. Advancement is difficult. With household incomes 60 percent below the national average, these Americans can only afford to lead unpretentious lifestyles.

Their small-city locations afford members of Struggling Societies some low-cost entertainment options. They go to local establishments, nightclubs, billiards halls and the occasional play or concert. However, most activities are home-based, whether it's listening to music, watching TV, doing needlework or reading gaming magazines. These older adults pursue few athletic activities other than rooting for home-town teams playing professional basketball, football or baseball. For excitement, they regularly try their luck gambling, playing bingo or buying lottery tickets.

Even at the bottom of the socioeconomic ladder, Struggling Societies have a need for status recognition. Many of these households like to make a statement with their fashion, and they try to keep up with the latest styles - admittedly, sometimes spending more than they can afford. Most are price-sensitive shoppers who patronize discount department stores like Walmart, Kmart, Burlington Coat Factory and Payless Shoe Source. These consumers, however, regularly splurge for lingerie

at Victoria's Secret and pricier outfits at Talbots. They have similar aspirational tastes in cars: they like to drive fast cars with lots of options, yet the majority can't afford to own a vehicle. Those who can usually settle for used subcompacts or tame sedans.

Struggling Societies have selective media tastes. Self-described TV addicts, many keep their TV sets on most of the day to watch sitcoms, movies, reality programs and game shows. They enjoy a variety of cable networks, including Soapnet, Lifetime, Oxygen, AMC, BET and Cinemax. This is a group filled with music fans, and they tune their radios to stations that play soul, gospel, rhythm and blues and salsa. While many of these households pick up a newspaper, they typically only read the classifieds, food and news sections. Group members say that most magazines are worth the money, and they like to read Harper's Bazaar, Popular Science, Prevention and Ebony. A high number concede that they like advertisements, especially those they see on TV, at movie theaters and on buses and subways. They're particularly fond of entertaining ads and, unlike more jaded consumers, they say that they remember ads when shopping and find them helpful.

They may be lower-income and transient, but Struggling Societies are politically engaged. They have solid rates for voter registration, are strong supporters of the Democratic Party and are centrists on many issues. Though they belong to few community groups other than veterans' clubs, they're willing to volunteer for a good cause and protest an issue that they feel strongly about. These are the Americans who don't mind taking a stand - even if it upsets people.

Digital behavior

With their low incomes and advancing ages, Struggling Societies have relatively little interest in digital technology. While a few have dial-up access to the Internet at home, most tend to go online using computers in libraries and local schools. They like Websites that offer games, lottery results, basketball scores and educational courses. Many of these single adults now frequent social media sites like myspace.com, mocospace.com and blackpeoplemeet.com. However, many also tell researchers that they're confused by computers and claim that the Internet has had no impact on their lives.