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Audience development as a determinant of the demand for arts and cultural products

Preliminary results

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Introduction

This paper addresses the impact of audience development activities on the demand for arts and culture. The objective is to contribute to the research on the determinants of demand for performing arts and museum products. Our results will also have implications for cultural policy making in terms of public funding. The research question of the study is: Do audience development activities increase the demand for arts and cultural products? Demand is defined as the attendance of an arts organization. The data for the empirical study was collected from 143 professional theatres, orchestras and museums.

We assume that arts and cultural products need specific consumption skills in order to be utilized and enjoyed maximally. Consumers learn through experience or from social interactions (Babutsidze 2011). These two sources of consumer skill acquisition are called learning by consuming and the consumer socialization process (Babutsidze 2011; see also Chang and Mahadevan 2014; Lévy-Garboua and Montmarquette 1996). Consumption activities change over time as a result of cognitive learning or non-cognitive learning in the form of conditioning (Witt 2001). For a consumer, audience development is a tool for learning to consume products provided by arts and cultural organizations. The purpose of audience development is, while maintaining artistic integrity, to create proactively new audiences and sustain relationships with existing audiences through engaging, educating and motivating individuals and communities to participate in arts and cultural activities (Hazelwood et al. 2009; Tajtáková et al. 2012), i.e., to consume arts and cultural products. Audience development is also seen as education work contributing to artistic work without a direct relationship with attendances (Selwood et al. 1998).

In our study, we are primarily concerned with the ability of audience development to increase the size of audiences and therefore, we see it as one of the determinants of demand. Research on the impact of audience development within arts and cultural organizations is scarce. In the previous empirical studies of the demand for performing arts (e.g., Akdede and King 2006; Corning and Levy 2002; Diniz and Machado

2011; Grisolia and Willis 2012; Krebs and Pommerehne 1995; Laamanen 2013; Lévy-Garboua and Montmarquette 1996; Werck and Heyndels 2007; Willis and Snowball 2009; Zieba 2009), audience development has not been included as a determinant of demand.

In our paper, we discuss the concept of audience development next. Then we present the data, estimation model, and preliminary results.

The concept of audience development

Audience development in the arts has been understood in the literature as the development of attendance sizes (Kirchberg 1999; Selwood et al. 1998), or as describing strategies to create new audiences and sustain relationships with existing audiences (Barlow and Shibli 2007; Hayes and Slater 2002; Hazelwood et al. 2009; Tajtáková et al. 2012), and further, as strategies to increase the access of socially disadvantaged groups; physically and mentally challenged, minority ethnic groups, the unemployed, and teenagers to the arts (Kawashima 2006; Tajtáková et al. 2012). Kawashima's (2006) audience development framework includes extended marketing, taste education, audience education, and outreach (bringing arts projects outside their usual venues). Tajtáková et al. suggest five areas to be considered and employed in their framework of audience development: marketing, education, relationship-building, programming, and social projects. Their approach, like the one of Hayes and Slater 2002, emphasizes the importance of retaining the loyalty of existing audiences through the implementation of relationship marketing.

Selwood et al. (1998) provide an overview of research into the audience education programs of subsidized performing arts organizations and museums in England and the UK. The types of programs include work with the young, work targeted at schools, colleges, and adult education institutions, work involving users of all ages as participants rather than audience, and work with 'an intended learning outcome' rather than for enjoyment or entertainment. Selwood et al. (1998) make a difference between educational work that many educators see as contributing to a body of artistic work of an arts organization and audience development that is primarily concerned with increasing the size of an audience for an arts organization's work.

Examples of the tools of audience education and audience development are talks and demonstrations, opportunities for personal experience with the arts, workshops or sessions for teachers, in-service training for teachers, project material for schools and students, large-scale collaborative projects involving schoolchildren or other non-professionals, lectures and courses for adults, and a wide range of events organized on an occasional basis, such as open day events for families, events and teaching services for special-needs groups and minority communities (see e.g., Selwood et al. 1998; Tajtáková et al. 2012).

Data of the study

The impact of audience development, as well as other determinants, on demand is estimated using a panel data from 2006 to 2010 on Finnish arts and cultural organizations. Our study exploits annual reports and financial statement data on 143 out of 205 Finnish arts and cultural organizations accepted into the statutory system of central government subsidies. We also use statistical data collected by the associations of Finnish orchestras, theaters, and museums. During the period 2006-2010, there was a significant increase in state subsidies which enabled the organizations to increase their expenses. We exploit the large variation created by the subsidy reform on the organizations' activities to study the effects on demand.

In Finland, the central government supports both municipal and independent, non-profit arts and cultural organizations through a statutory system of subsidies. The Finnish Ministry of Education and Culture

increased statutory state subsidies to professional theatres, orchestras and museums by 50 million EUR in the three years from 2008 to 2010, an almost 80 % increase on that of 2007. The total government subsidy for these organizations was 62.3 million EUR in 2007 and amounted to 111.8 million EUR in 2010. In our study, we try to uncover the impact of the subsidy increase.

Preliminary results

In order to examine how audience development affects the demand for performing arts and museums, we estimate ordinary regression models of the form

$$\ln(D_{it}) = \alpha_i + \beta A_{it} + \gamma' x_{it} + \delta_t + \varepsilon_{it},$$

where the dependent variable D_{it} is attendance in arts organization i in year t . The variable A is a measure of audience development and the variable vector x includes other explanatory variables. The parameters α are the fixed effects of arts organizations, the parameters δ are the year fixed effects, and ε is the error term. We are interested in the parameter β that is the impact of audience development on the number of tickets sold. Due to the fixed effects of arts organizations we are able to examine the impact of audience development on demand controlling for differences across arts organizations that do not change over time. The purpose of the fixed year effects is to control for the demand changes over time common to all arts organizations.

When the number of free tickets had been included in the attendance in the data it was removed from the variable D . Thus, the variable is meant to describe the number of paying visitors. However, for museums, no data on free tickets was available so that D includes free tickets as well. We explore the data to uncover associations between the attendance and various forms of audience development (variables A). Because of multicollinearity of the audience development variables, only one audience development variable is included in the regression models at a time. When estimating models for orchestras, theatres or museums, we use several control variables (x) according to the data available. The price variable, the variable describing the number of productions, first performances (for orchestras and theatres), premieres (for theatres), and collections (for museums), and variables describing various costs (in logs) are included in the models. Whenever explanatory variables include zeroes, we add one to allow taking logs. The variables of the data are described in the Table 1 for the three types of arts organizations.

Table 1. Variable descriptions

| <i>Variable</i> | <i>Orchestras</i> | <i>Theatres</i> | <i>Museums</i> |
|--|---|---|---|
| Audience development (AD) | = 1 if one or more of the AD forms 1-5 are used | = 1 if one or more of the AD forms 1-5 are used | = 1 if one or more of the AD forms 1-5 are used |
| <i>Forms of audience development</i> | | | |
| 1. Program presentation, talk, lecture, seminar (free of charge) | = 1 if provided by the orchestra | = 1 if provided by the theatre | = 1 if provided by the museum |
| 2. Workshop | = 1 if provided by the orchestra | = 1 if provided by the theatre | = 1 if provided by the museum |
| 3. Open day/evening event (free of charge) | = 1 if provided by the orchestra | = 1 if provided by the theatre | = 1 if provided by the museum |
| 4. Co-creation of a concert, theatre performance, or an exhibition; professionals working with | = 1 if provided by the orchestra | = 1 if provided by the theatre | = 1 if provided by the museum |

| | | | |
|---|---|---|---|
| audiences (free of charge) | | | |
| 5. Workshop outside own house: in schools, day care homes, hospitals, nursing or retirement homes | = 1 if provided by the orchestra | = 1 if provided by the theatre | = 1 if provided by the museum |
| AD targeted for children | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used |
| AD for young people | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used |
| AD for adults/of working age | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used |
| AD for senior citizens | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used |
| AD for special groups (immigrants and other minorities, disabled) | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used | = 1 if one or more of the AD forms 1.-5. are used |
| Additional subsidy or grant for AD allowed by the Ministry of Education and Culture, municipality, National Board of Antiquities, European Regional Development Fund, or private foundation | = 1 if subsidy or grant for AD was received | = 1 if subsidy or grant for AD was received | = 1 if subsidy or grant for AD was received |
| <i>Control variables</i> | | | |
| Price | ln(ticket sale revenue / paid audience) | ln(ticket sale revenue / paid audience) | ln(regular price) |
| Number of productions | ln(number of productions +1) | ln(number of productions +1) | ln(number of productions +1) |
| First performances | ln(number of 1 st performances +1) | ln(number of 1 st performances +1) | - |
| Premieres | - | ln(number of premieres +1) | - |
| Items | - | - | ln(number of items +1) |
| Works (of art) | - | - | ln(number of works +1) |
| Samples | - | - | ln(number of samples +1) |
| Pictures | - | - | ln(number of pictures +1) |
| Costs: personnel | ln(personnel costs) | ln(personnel costs) | ln(personnel costs) |
| Costs: other | ln(other costs) | ln(other costs) | ln(other costs) |
| Costs: service purchases | ln(service purchases +1) | ln(service purchases +1) | ln(service purchases +1) |
| Costs: rental (to managing organizations) | ln(rental costs to managing organizations +1) | ln(rental costs to managing organizations +1) | ln(rental costs to managing organizations +1) |
| Costs: rental (others) | ln(rental costs to other organizations +1) | ln(rental costs to other organizations +1) | ln(rental costs to other organizations +1) |
| Costs: depreciations | ln(asset depreciations +1) | ln(asset depreciations +1) | ln(asset depreciations +1) |
| Costs: marketing | ln(marketing expenses +1) | ln(marketing expenses +1) | ln(marketing expenses +1) |

The results of the analyses are presented in Table 2. The estimates of coefficients of the audience development variables and their statistical significances in various models are reported and the coefficients of the control variables are excluded in Table 2. There are three kinds of models. First, we estimate models

in which all control variables are included. Next, the control variables such as the personnel costs variable and the variables of purchases of services, other costs and marketing costs that possibly measure the same thing as the audience development variables were excluded from the control variables. Third, we estimate models in which the explanatory variable is the audience development variable of the previous year.

Table 2. The estimates of coefficients of the audience development variables.*

| Orchestras | All control variables | | Some control variables excluded | | AD in previous year | |
|---|-----------------------|---------|---------------------------------|---------|-----------------------|---------|
| | β | p-value | β | p-value | β | p-value |
| Audience development (AD) | -0,06 | 0,389 | -0,06 | 0,475 | 0,04 | 0,726 |
| Program presentation, talk, lecture, seminar (free of charge) | 0,07 | 0,493 | 0,08 | 0,427 | 0,13 | 0,174 |
| Workshop | 0,06 | 0,531 | 0,06 | 0,512 | -0,08 | 0,308 |
| Open day/evening event (free of charge) | -0,05 | 0,387 | -0,06 | 0,311 | -0,03 | 0,723 |
| Co-creation of a concert, theatre performance, or an exhibition; professionals working with audiences (free of charge) | 0,06 | 0,393 | 0,04 | 0,546 | 0,09 | 0,361 |
| Workshop outside own house: in schools, day care homes, hospitals, nursing or retirement homes | -0,04 | 0,545 | -0,02 | 0,788 | 0,06 | 0,335 |
| AD targeted for children | 0,06 | 0,580 | 0,11 | 0,384 | 0,18* | 0,076 |
| AD for young people | 0,1 | 0,140 | 0,16** | 0,047 | 0,17** | 0,016 |
| AD for adults/of working age | -0,05 | 0,370 | -0,04 | 0,472 | -0,06 | 0,392 |
| AD for senior citizens | 0,01 | 0,924 | -0,01 | 0,860 | 0,03 | 0,754 |
| AD for special groups (immigrants and other minorities, disabled) | -0,16 | 0,230 | -0,09 | 0,511 | -0,21 | 0,120 |
| Additional subsidy or grant for AD allowed by the Ministry of Education and Culture, municipality, National Board of Antiquities, European Regional Development Fund, or private foundation | 0,02 | 0,764 | 0,06 | 0,366 | -0,06 | 0,470 |
| | | | | | | |
| Theatres | All control | | Some control | | AD in previous | |

| | variables | | variables excluded | | year | |
|---|------------------------------|---------|--|---------|----------------------------|---------|
| | β | p-value | β | p-value | β | p-value |
| Audience development (AD) | 0,06 | 0,114 | 0,08* | 0,063 | 0,02 | 0,678 |
| Program presentation, talk, lecture, seminar (free of charge) | -0,21** | 0,018 | -0,18** | 0,039 | -0,13* | 0,061 |
| Workshop | -0,01 | 0,874 | -0,02 | 0,805 | 0,09* | 0,093 |
| Open day event (free of charge) | 0,06 | 0,225 | 0,07 | 0,208 | 0,09** | 0,050 |
| Co-creation of a concert, theatre performance, or an exhibition; professionals working with audiences (free of charge) | -0,03 | 0,556 | -0,02 | 0,607 | 0,04 | 0,401 |
| Workshop outside own house: in schools, day care homes, hospitals, nursing or retirement homes | 0,04 | 0,428 | 0,03 | 0,603 | 0,03 | 0,627 |
| AD targeted for children | -0,07 | 0,370 | -0,03 | 0,775 | -0,11 | 0,273 |
| AD for young people | -0,07 | 0,310 | -0,06 | 0,376 | 0,03 | 0,688 |
| AD for adults/of working age | -0,02 | 0,737 | -0,04 | 0,536 | 0,07 | 0,346 |
| AD for senior citizens | -0,01 | 0,878 | -0,01 | 0,909 | -0,07 | 0,233 |
| AD for special groups (immigrants and other minorities, disabled) | 0,2* | 0,055 | 0,21* | 0,094 | 0,01 | 0,864 |
| Additional subsidy or grant for AD allowed by the Ministry of Education and Culture, municipality, National Board of Antiquities, European Regional Development Fund, or private foundation | -0,03 | 0,503 | -0,03 | 0,556 | -0,07 | 0,360 |
| | | | | | | |
| Museums | All control variables | | Some control variables excluded | | AD in previous year | |
| | β | p-value | β | p-value | β | p-value |
| Audience development (AD) | -0,21 | 0,171 | -0,18 | 0,169 | -0,14 | 0,284 |
| Program presentation, talk, lecture, seminar (free of charge) | 0,05 | 0,684 | 0,08 | 0,543 | -0,17* | 0,088 |
| Workshop | 0,28 | 0,126 | 0,39* | 0,073 | 0,01 | 0,933 |

| | | | | | | |
|---|-------|-------|-------|-------|----------|-------|
| Open day event (free of charge) | -0,12 | 0,504 | -0,2 | 0,296 | -0,2** | 0,037 |
| Co-creation of a concert, theatre performance, or an exhibition; professionals working with audiences (free of charge) | 0,02 | 0,900 | 0,01 | 0,955 | 0,03 | 0,748 |
| Workshop outside own house: in schools, day care homes, hospitals, nursing or retirement homes | -0,05 | 0,648 | -0,03 | 0,858 | -0,04 | 0,744 |
| AD targeted for children | -0,03 | 0,841 | -0,01 | 0,934 | -0,22 | 0,124 |
| AD for young people | 0,14 | 0,343 | 0,21 | 0,156 | -0,25* | 0,052 |
| AD for adults/of working age | -0,1 | 0,639 | -0,07 | 0,761 | -0,32*** | 0,001 |
| AD for senior citizens | -0,1 | 0,272 | -0,04 | 0,704 | -0,15 | 0,125 |
| AD for special groups (immigrants and other minorities, disabled) | 0,03 | 0,789 | 0 | 0,976 | -0,15 | 0,120 |
| Additional subsidy or grant for AD allowed by the Ministry of Education and Culture, municipality, National Board of Antiquities, European Regional Development Fund, or private foundation | -0,12 | 0,242 | -0,15 | 0,169 | -0,09 | 0,273 |

*In all models, there is only one explanatory audience development variable. Fixed effects include control for organization specific effects and year effects. P-values based on robust standard errors. ***, ** and * denote statistical significance in 1 % level, 5 % level and 10 % level, respectively.

In Table 2, the coefficients of the audience development variables are positive and statistically significant in few models. In orchestras, the audience development work targeted for young people seems to be related to higher attendance in the same and next year. The audience development work targeted for children seems to be related to higher attendance in the next year.

In theatres, audience development activities in general and audience development targeted for special groups seem to be associated with higher attendance in the same year. Workshops, open day/evening events are associated with higher attendance in the next year. In museums, only the association between workshop activities and higher attendance is statistically significant.

Discussion

Our results, yet preliminary, suggest that the impact of audience development on the attendance of arts organizations is rather weak. The study did not confirm a positive association between audience development activities and the attendance of orchestras, theaters, and museums. Our results are in line with the finding of Barbosa and Brito (2012) who studied the effects of attending open day events on the development of art museum audiences using the personal interview survey method. Their results indicate

that open day events eliminate attendance barriers, attract first time visitors and provide satisfying experiences for them. However, their study could not provide empirical evidence that the intention to return to the museum in the short term is associated with event satisfaction. Case studies of innovative and successful audience development projects would be better able to uncover individual cognitive and motivational barriers to commit oneself to a sustainable relationship with arts organizations.

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