

Andreas Papastamou

Orchestrating creative changes: the role of Marketing in the Arts



In a high-energy context the conference of the University of Skopje brought together artists, designers, musicians, activists, art historians and engineers in formats such as workshops, performances, interviews, and brain storming sessions – all aiming at ongoing collaborations, genuine dialogue, and the exchange of knowledge. The aim of the conference is to get a deeper understanding of the dynamics of exchanging ideas and collaboration in music, and I hope that this paper will contribute to the above aims.

In a very dynamic, changing and challenging new socioeconomic environment, huge deficit in orchestras are forcing management to slash its operating budget reduce musicians' salaries, reflecting a deeper problem within the orchestra industry. The arts are under attack and survival has become a mission for orchestras throughout the world. Regardless of size, these venerable nonprofit organizations are expected to maintain artistic standards and serve their communities - while bleeding red ink.

Our proposal is that arts marketing should be conceived of as a dedicated field of endeavour so that consumers' immersion in the artistic experience occurs even in the case of a "difficult" art work. The focus is artistic experience-related phenomena. This article introduces the concept of developing arts marketing. International comparative analysis shows that the artistic experience is predicated on multiple rather than one-time immersion, and those service elements that affect the way in which consumers experience an arts event should be managed throughout the appropriation process.

1. CLASSICAL MUSIC UNDER ATTACK

1.1. Next to the opera performance the orchestra concert, especially the symphony-orchestra concert, represents the most complex, most exacting, and, at a professional level, most expensive form of music-making in the non-commercial field - non-commercial because the finest orchestra, playing year-round to full houses at the highest feasible ticket prices, cannot earn as much as it costs. Needless to say, the development of an orchestra that can produce a top-level concert with dependable regularity depends on favourable artistic, social, and economic conditions, having directly to do with the number of people, the per-capita income, the musical tradition, and the educational facilities of that orchestra's home city.



Huge deficit in orchestras are forcing management to slash its operating budget reduce musicians' salaries, reflecting a deeper problem within the orchestra industry. The arts are under attack and survival has become a mission for orchestras throughout the world. Regardless of size, these venerable nonprofit organizations are expected to maintain artistic standards and serve their communities - while bleeding red ink.

These deficits often snowball into larger, multiyear debts that strangle cash flow, or worse, force an organization to shut down.

In 1992 the so called Wolf Report ("The Financial Condition of Symphony Orchestras" by Wolf Organization Publisher) was released and received much attention¹.

1.2. In the **US**, nearly 2 million Americans are currently in the work force as artists, and patronage of the arts represents a \$37 billion industry.² The average deficit for America's 1,200 orchestras decreased 22% from 2.7% of total expenses in 2001-02 to 2.1% 2002-03. In 2002, orchestras across America are reporting financial troubles.³

- In July 2005, the new state budget allocated \$2.25 million to the **Pittsburgh Symphony Orchestra**, the largest amount a state agency has given to the performing arts group in recent history. The money, from the Department of

¹ Dempster, Douglas J. (2002) *The Economic Health of American Symphony Orchestras in the 1990s and Beyond*, Harmony, FORUM OF THE SYMPHONY ORCHESTRA INSTITUTE, No.15, October (http://www.soi.org/harmony/archive/15/Wolf_Report_Dempster.pdf)

² National Endowment for the Arts (1999)

³ *San Francisco Chronicle* 12/10/02

- Community and Economic Development, will be used to pay the orchestra's operating expenses.⁴
- In 2002, the **Chicago Symphony** reported a \$6.1 million deficit for last season. The orchestra noted "challenging economic conditions," and said that "even record-breaking contributions to the annual fund could not close the 'widening imbalance' between operating revenues and expenses."⁵
 - In December 2003 the **Detroit Symphony Orchestra** announced an operating deficit of over \$2 million⁶.
 - At the **Houston Symphony**, musicians wanted a five-year-deal, a salary jump to the level of the nation's major orchestras, and more benefits, while management wanted to cut 6 or 7 weeks off the season in order to bring costs under control. Finally, the salary was reduced to \$63,000 from \$74,100. The orchestra recorded a \$1.6 million deficit last season.⁷
 - The scene is familiar to orchestras across the US, but unlike most symphonic negotiations, which take place under closely guarded secrecy, this conflict has exploded into the open.⁸
 - In 2002, **San Francisco Opera** faced an almost \$8 million budget shortfall, and canceled one production next season and substituting a cheaper production for another.⁹ It was the company's biggest financial shortfall in a decade. The company warns that "in the long term, the economic picture might compel the company to raise ticket prices and possibly even curtail some of General Director Pamela Rosenberg's more ambitious - and costly - artistic plans."¹⁰
 - The **New Jersey Symphony** ran up a deficit of \$1.1 million in 2002. Alarmingly, the figure was about 7 percent of the orchestra's total budget. "The economy has basically moved orchestras from experiencing small surpluses to experiencing small deficits. I anticipate it's a short-term phenomenon."¹¹
 - A few years ago opera was a hot ticket in **Los Angeles**, particularly among the under-30 crowd, but in 2002 many experts said maybe the company blew the opportunity to capture this most sought-after demographic¹².
 - In 2002, the very existence of the **Saint Louis Symphony Orchestra** was threatened, and most observers said the group's massive deficits and incompetent management had put the SLSO in a hole that would remove it from the ranks of the top U.S. orchestras. Since then, the organization has rallied, raising millions from the corporate community and from private

⁴ *Pittsburgh Post-Gazette* 08/07/05

⁵ *Chicago Sun-Times* 10/23/02

⁶ Kalellis, Barret (2004) Symphony Orchestras Dying Out, article in Newsmax.com, Jan. 10, 2004. Barret Kalellis is the founder and director of the Detroit Contemporary Chamber Ensemble in the 1980s. He can be reached at kalellis@newsmax.com

⁷ *Houston Chronicle* 10/04/02

⁸ *Houston Chronicle* 12/03/02

⁹ *San Francisco Chronicle* 11/15/02

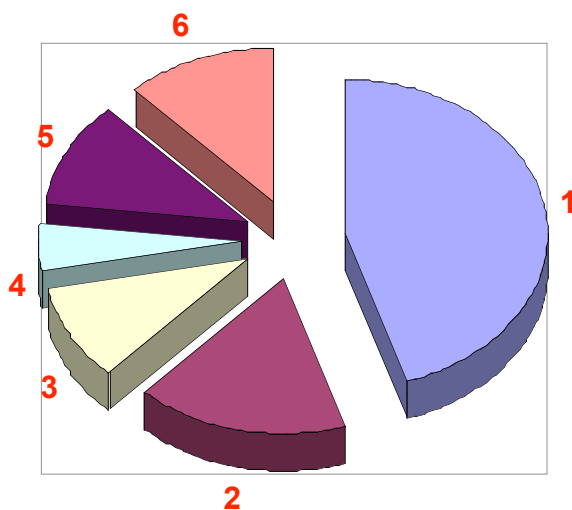
¹⁰ *San Francisco Chronicle* 10/02/02

¹¹ *Newark Star-Ledger* 10/18/02

¹² *Los Angeles Times* 10/17/02

- donors, and moving towards acquiring a sizable challenge grant with impressive speed.¹³
- In 2000, the general director of **Austin Lyric Opera**, Joseph McClain was fired. "Budget deficits and advocacy of new operas had created friction between McClain and factions on the board for at least two years. The dismissal was predicated on recent projections that the company would face more deficits for the next three years."¹⁴
 - The **Cleveland Orchestra** suspended its chamber music series, as part of a cost-cutting package which also includes a staff wage freeze and pay cuts for the new music director and executive director.¹⁵

TABLE-1
2003-4 Orchestra Expenses



1. Artistic Personnel 45%
2. Concert Production 17%
3. Advertising and Promotion 10%
4. Fund Raising 5%
5. General and Administrative 11%
6. All Other Expenses 12%

Source: American Symphony Orchestra League Orchestra Statistical Report, 2003-04

1.3. In Canada:

- In Alberta, in 2002, the **Calgary Philharmonic Orchestra** was in the throes of bankruptcy, suspended operations last mo after failing under a \$1.2 million debt¹⁶ and was considering merging with the Edmonton Opera Company to save money.¹⁷
- A musical schism in **Edmonton** has left that city with two competing orchestras.¹⁸

¹³ *Saint Louis Business Journal* 10/30/02

¹⁴ *Austin American-Statesman* 10/10/0

¹⁵ *The Plain Dealer (Cleveland)* 10/04/02

¹⁶ *The Globe & Mail (Canada)* 11/28/2002

¹⁷ *CBC* 11/05/2002

¹⁸ *The Globe & Mail (Canada)* 11/02/2002

1.4. In **Australia**, the **Opera Australia** was considering to cut its Melbourne season because of poor ticket sales. "Speculation about the future of Opera Australia's Melbourne program follows general manager Adrian Collette's announcement that returns are too poor to justify the company's present range of activities. By contrast, ticket sales in Sydney are strong and the season is profitable."¹⁹

1.5. In Europe:

Berlin's three opera houses are scrapping with one another to survive.²⁰ In 2003, the German finance minister, Hans Eichel, announced "Berlin's three opera houses and their companies have been rescued from merger and possible closure by a €22m (£15m) subsidy"²¹. The three houses, two in former East Berlin, are among the finest in Europe, but have struggled since losing generous state support following reunification in 1989. The all but bankrupt city of Berlin has been unable to support them, and in 2002 the Berlin culture minister floated a plan to merge the two best, the Staatsoper and the Deutsche Oper, so both buildings would stay open. In 2003, the federal government took financial responsibility for several cultural institutions in Berlin, such as the academy of culture and the national film institute, freeing £55m earmarked by Berlin for their support. The federal government top up Berlin's budget with another £15m a year as a grant for the operas. But according to the Georg Vierthaler, managing director of the Staatsoper, "The subsidy is still €3m less than we asked for, but if everyone tightens their belts we will be able to make it work somehow".²²

In July 2004, Kirsten Harms the new "Intendantin," or artistic and general manager, of Berlin's Deutsche Oper, declared that since the death of former Director Goetz Friedrich in 2000, the company has been whip-lashed by walkouts. Chief conductor Christian Thielemann resigned in 2001 saying that he couldn't work with Friedrich's successor, Udo Zimmermann, only to change his mind a few months later. They never were much of a team, and in July 2003 Zimmermann gave up, done in by savage reviews and a dwindling subscriber base. (Average attendance hovers around 75 percent, Deutsche Oper said.) Ioan Hollender, general manager of the Vienna State Opera, was named interim director. In June 2004, Thielemann resigned again, after the city refused to meet his ultimatum for higher orchestral salaries. Appointed by the city of Berlin, Harms, 47, took over a house with morale and attendance problems. The Deutsche Oper lacked the shabby glamour of the Staatsoper on the Unter den Linden boulevard run by conductor Daniel Barenboim and has refused to produce attention-getting pornographic productions such as Mozart's "Abduction From the Seraglio" by Catalan Calixto Bieito that just

¹⁹ *The Age (Melbourne) 11/05/2002*

²⁰ *The New Yorker 12/09/2002*

²¹ *The Guardian 03/07/2003*

²² *The Guardian 03/07/2003*

opened at the smaller Komische Oper, whose patrons were treated to a bloodbath of mutilation, rape and murder.

In July 2004, Kirsten Harms said "The Deutsche Oper doesn't really know where it's going artistically at the moment. That has been difficult, also for the public. And the people here are still terribly afraid that the house might be closed down, because there's been so much debate about how to save money. There's a trend throughout Germany to shut theaters. The country is in financial crisis, and the response is to sack music teachers, stop art classes, cut back on culture. The mass media dominates more and more. Art is neglected and underestimated. If you closed all the theaters in Germany, it would have no impact at all on the country's financial problems. Cultural spending makes up less than 2 percent of the total federal budget. There would be no fiscal advantage in closing theaters. But there would be huge losses. Serious economic studies have proved that when a city has financial problems, the best thing it can do is to open a new theater. For every Euro you invest in culture, you get at least 1.8 back".²³

- The **English National Opera** was leaderless, with a £3 million in debt and about to be ousted from its home because of a costly renovation, was looking for someone to save it.²⁴ British arts policy tried to promote opera in parts of the country where there isn't much. So regional companies get big subsidies. But bad facilities and lame programming choices undercut efforts. And knockoff foreign touring companies are an even bigger threat. "Audiences, depressingly, seem content to hear foreigners singing familiar tunes loudly, with scenery and costumes left over from the silent-film era."²⁵

²³ *Bloomberg*, 02/07/2004

²⁴ *The Guardian (UK)* 11/19/02

²⁵ *The Telegraph (UK)* 10/09/02

2. ROOTS OF THE PROBLEM

1. Many experts have blamed the economic ripples of the Sept. 11 attacks²⁶, but this could happen in the US and not all over the world.
2. A soft economy and shaky stock market already had cut into investments from endowment money, the lifeboat of orchestras. Orchestras also suffer from a drop in corporate and individual donations. When the economy is booming, donors contribute more to their favorite causes and charities. When it's not, giving dwindles. Without new patrons going to concerts, audiences will thin, and orchestras will have to find other means of subsidy.
3. The biggest difference between the group years ago and today isn't the orchestra so much as the community. Orchestras have better board, staff and musicians, but what's not better is the philanthropy of the community.
4. Orchestras are losing their market. Few will purchase that product if orchestras fail to develop new audiences - a less noticeable, but long-range challenge facing the industry. Young people must replace the old guard and fill the concert halls of tomorrow. Young people don't want to go to concerts. The market is going away. The product of classical music is becoming a tough sell against so much competition.
5. Some orchestras invest in education, especially youth concerts. But experts say orchestras can't do it alone, and public schools aren't helping by funding marching bands over string programs. Culturally, our society isn't fostering any true exposure to the classical arts, and so there are diminishing audiences." Orchestras are bound to suffer as the children of baby boomers distance themselves from classical arts. We can't reach the kids because it's not part of their life.
6. Opera companies, on the other hand, are drawing more young people. In the US and Europe, more than 25 percent of opera audiences is younger than 35, because Opera is visual and orchestral music is abstract, but the world is becoming a more visual place. This whole MTV generation is used to music being pictorial. Like Gresham's Law, listeners have discovered that the "bad" music in the culture has driven out the "good." "Given the



²⁶ According to the American Symphony Orchestra League, the 134 orchestras with scheduled performances during the two weeks immediately following September 11, only 18 canceled any concerts; most cancellations fell in the first week. The financial loss for canceled performances during the first week was \$145,700; losses the following week were minimal. In addition to regular performances, a number of galas scheduled for September and October were affected. Of the 101 orchestras with scheduled galas, 82 percent were not affected, 10 percent were canceled, and 8 percent were postponed to a later date.

genuinely diversifying society of England, it seems improbable that the surviving directors and institutions of our post-war high culture will ever regain quite the centrality and influence they once exercised. The support that composers can expect from that quarter, therefore, will doubtless remain restricted."²⁷

7. Orchestra managers know the serious masterworks program may not appeal to newcomers, hence a schedule of lighter pops fare each season, with programs that feature film scores, rock arrangements, Broadway tunes and big band material.

TABLE-2
Scheduled Performances (2004-2005)

Dvorak, Antonin	Symphony No. 9 in E Minor, Op.95 (<i>New World</i>)	71
Tchaikovsky, Piotr Ilyich	Violin Concerto in D Major, Op. 35	63
Beethoven, Ludwig Van	Piano Concerto No. 5 in E-Flat Major, Op. 73 (<i>Emperor</i>)	60
Beethoven, Ludwig Van	Symphony No. 7 in A Major, Op. 92	60
Grieg, Edvard	Piano Concerto in A Minor, Op.16	60
Beethoven, Ludwig Van	Violin Concerto in D Major, Op. 61	55
Brahms, Johannes	Symphony No. 4 in E Minor, Op. 98	54
Beethoven, Ludwig Van	Symphony No. 3 In E-Flat Major, Op. 55	53
Tchaikovsky, Piotr Ilyich	Piano Concerto No. 1 in B Flat Minor, Op. 23	48
Dvorak, Antonin	Violin Concerto in A Minor, Op. 53	41
Handel, George Frederic	<i>Messiah</i>	41

Source: Orchestra Repertoire Report, 2004-2005

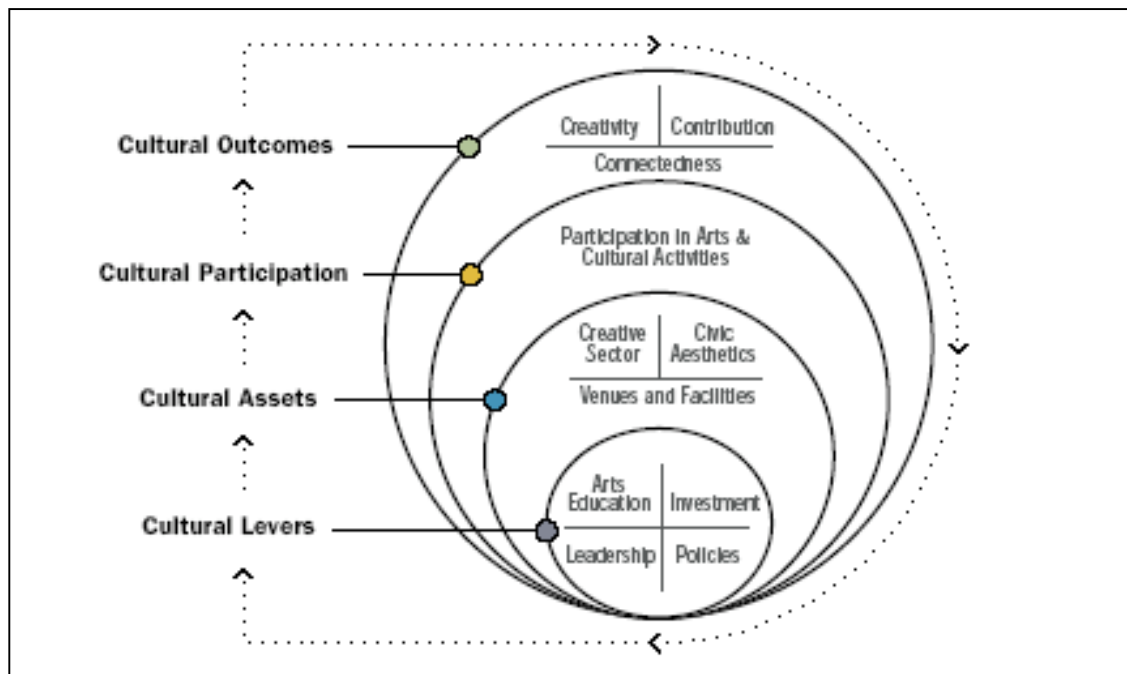
²⁷ *The Independent (UK) 11/01/02*

3. THE NEW ECONOMY: NEW ANSWERS TO CHALLENGES

3.1. In the old economy people believed that being a cheap place to do business was the key; attracting companies was the key; a high-quality physical environment was a luxury stood in the way of attracting cost-conscious businesses; regions won because they held a fixed competitive advantage in some resource or skill; economic development was government-led.

In the new economy, people believe that being a place rich in ideas and talent is the key; attracting educated people is a key; physical and cultural amenities are key in attracting knowledge workers; regions prosper if organizations and individuals have the ability to learn and adapt; only bold partnerships among business, government, and nonprofit sector can bring about change.

3.2. Our proposition is that **Arts marketing should be conceived of as a dedicated field of endeavour** so that consumers' immersion in the artistic experience occurs even in the case of a "difficult" art work. The focus is artistic experience-related phenomena. Empirical research comprises introspective reports on consumer attendance at classical music concerts. The results show that the artistic experience is predicated on multiple rather than one-time immersion, and that full immersion may never occur. Thus, service elements that affect the way in which consumers experience an arts event should be managed throughout the appropriation process.



Orchestras have to act like a business. It's not healthy to run a deficit and firing musicians is not a solution. Downsizing an orchestra saves money, but it does little to enhance the artistic product, Becoming part time doesn't make an orchestra sound better. Money isn't the point with orchestras. It's a means to an end. For all of its troubles, the symphony orchestras in America and Europe are hugely successful if you judge it by artistic standards. The core value here is a dedication to artistic excellence.

According to Kirsten Harms the new "Intendantin," or artistic and general manager, of Berlin's Deutsche Oper, "we have to keep fighting for more money, but I think we'll have to look for other financial sources. We have to find business partners who are prepared to invest in art. Improving audience attendance is a mixture of things:

- Performances have to be so good that people will say, "You really have to go and see that!"

The second thing is to improve marketing and media presence. At the moment, funding cuts mean that there's no advertising in radio or television. There aren't even posters around town. That's a false saving, and it has to be changed if the house is to be able to compete. I hope we can refresh some of the older productions and improve standards in the day-to-day running of the house. We can collaborate a lot more than we have in the past, especially with things like marketing and publicity. The potential is there".²⁸

Marketing specialists persist that although playing the classics is the mission of an orchestra, the industry needs to adapt to changing times and younger audiences. Creating programs that appeal to a large population base is going to be the trick to getting larger audiences. You can't keep recycling Mozart.

On the other hand, artistic directors and musicians say that a lot of time is spent trying to discover whether or not an orchestra has market relevance, but what's more important is discovering if its life is relevant to a community. Orchestras are purveyors of all that provides comment on the human condition and not enough people know how essential that is. We need to rely on the orchestra mission and not be so concerned about the market. It's about becoming relevant.

The compromise of the relevant difficult problem can be started from hiring an Arts marketer.

3.3. Profile of an Arts marketer.

An Arts marketer creates and implements integrated marketing campaigns that cost-effectively drive growth in the organization admissions, membership, sponsorship, box-office, etc. In addition to managing staff, his job involves:

- leveraging limited resources through innovative marketing partnerships,
- assuring strong consistent use of the organization brand i.d.,

²⁸ *Bloomberg, 02/07/2004*

- copywriting,
- overseeing TV, print, radio, outdoor, e-mail and direct mail design and production, media buying and placement, pricing,
- market research
- and develop marketing campaigns and external communication strategies that will help achieve the goal of increasing the organization awareness.

An Arts marketer is getting a lot of help as he works as a team with the other officers; concept meetings may include the executive director, the artistic director, the art director, the education director, and the office manager. And not only do they have regular full staff meetings but they have to get along like family plus they recognize that each of them brings something valuable to the table.

An Arts marketer has a hand in marketing all arts and building enthusiasm for all disciplines and practices throughout the city, big groups and small emerging artists as well. Collaboration and partnering are an important part of what an organization does. It is his job to promote the arts, artists, arts and cultural organizations and offerings within our city. He/she also conducts educational workshops, promote the organization branding campaign, lead collaborative projects, and direct advertising agency services offered to artists, arts organizations, and for profit companies. These services include graphic design, marketing consultations, workshop facilitation, website design, printing, and production.

3.4. Nowadays the hottest trends in Arts marketing are:

- a. Co-branding and/or product placement in feature films and television.
- b. "Add-ons" have been a popular marketing trend for some time (from the original "buy one-get one free" offer to Burger King's recently announced free mp3 download that will soon come with every Whopper). When calculated correctly, add-ons are historically successful in attracting new customers to an organization, so I expect arts organizations will continue experimenting in this area.
- c. There is a more obvious growing trend towards more sophisticated email communications and websites, which is, of course, to be expected. If they can get through all the spam filters out there, skillfully designed and aesthetically pleasing e-mail communications now lead customers to livelier, interactive websites, leading in many cases to some form of e-commerce opportunity.
- d. But, the hottest trend in marketing right now can be summed up in one word: collaboration. Successful collaborations enable an organization to:
 - expand its visibility through participation in other projects which will force it to look at itself, at its competition, at its messages, our programming, its mission, everything.

- to create powerful messages that benefit more than just one party. We have to work to connect as many organizations as possible in unique ways to create powerful marketing messages that naturally “just make sense.”

Collaborators are interested in your strengths and what you can do for them (i.e. attracting a new audience or allowing them to be seen as good citizens). They are after more than logo placements. Smartly picked, collaborators can assist the presenter in many ways, from internal and external marketing to giving credence to the endeavor that in turn can attract additional collaborators, marketing partners or sponsors. As organizations fight for diminished resources, collaborators (i.e. organizations working together to achieve a common goal), makes tremendous sense, particularly in today’s, and probably tomorrow’s, unstable climate.

e. Early market research has been an essential part of several major feasibility studies conducted internationally. Market research results are instrumental in exploring opportunities to build and sustain the organization franchise internationally. Using focus groups and other reliable research methods will help the organization to determine not only its approach to marketing but its programming as well. The need for continuity is driving the market research, while staying true to the organization’s mission of celebrating the seasons and building community through education and performance of music materials from around the globe. It is very important to stay in touch with the pulse of your community, meaning, what changes are happening in your trade area that affect your message and/or your customer.

f. Post-campaign market research is the most difficult market research that an organization can conduct, but can give significant information to deduce buying patterns. It can track activity (# of tickets purchased, amount paid, etc) on sophisticated database systems and e-mail addresses for e-marketing purposes. This kind of tracking allows us to follow customers from one event to another, tracking their interest and response. The organization can conduct market research several times annually on a consistent basis, using quantitative exit surveys to evaluate all aspects of customer satisfaction, as well as customer interest in potential programs, attitudes towards pricing and arts sponsorship, as well as intent to return. The organization can also capture and analyze informal customer feedback on an ongoing basis through on-site comment forms as well as unsolicited letters, calls and e-mails. The senior staff can rely on market research for strategic insights on investment, programming and pricing decisions.

3.5. Developing strategic partnerships.

Strategic partnerships are connections with people and organizations in every sector and industry associated with the arts - government, business, philanthropy, and entertainment - are crucial in realizing our goals. By promoting collaboration in the form of alliances, partnerships, linkages, and mergers Americans for the Arts builds a stronger voice in support of the Arts.

- Advance efforts with the entertainment industry, such as current work with The Film Foundation, the National Academy of Recording Arts and Sciences, and the Ad Council, and with more national arts service organizations.
- Connect with more national associations for elected leaders, such the National Governors Association and the National Conference of State Legislatures.
- Connect with more national associations for the private sector, such as the Business Roundtable and the National Chamber of Commerce.
- Build and forge stronger connections to public and private sector leaders through Americans for the Arts' internal leadership committees: the Board of Directors, the American Arts Policy Roundtable, the National Leadership Council, and the President's Advisory Committee.
- Develop a strong private sector initiative for arts funding with corporate leaders; individual philanthropists; and national, community, and family foundations.
- Develop an initiative to increase arts giving by young and emerging philanthropists,

Art not only imitates nature,
but also completes its deficiencies. - **Aristotle**

