



ECONOMICS & VENUES

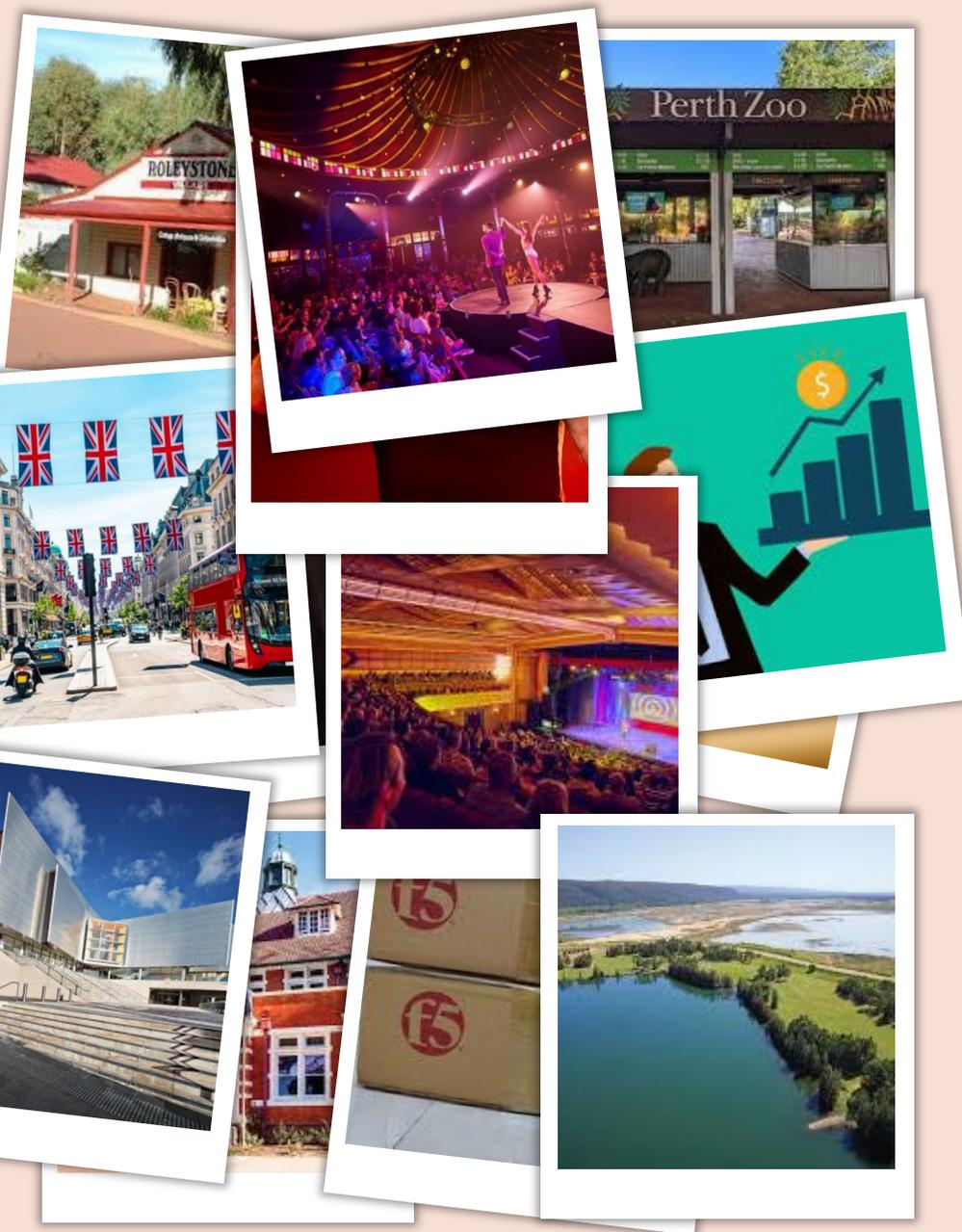
Performing Arts Venues and the Fundamentals of Impact

Acknowledgement of Country

Hawkridge Entertainment Services respectfully acknowledges the traditional owners of the land on which we work. We give respect to Elders past, present, and emerging and extend those respects to the First Nations people across Australia.



WHO WE ARE



- **Boutique advisory** specialising in Arts, sports & entertainment.
- **100+** venue and precinct assignments since 2015.
- **Services:** feasibility, business cases, operational reviews, economic impact.
- **Clients:** Century Venues, City of Moreton Bay, Riverside Theatres, Create NSW, Saudi Entertainment Ventures and even the City of Cambridge.

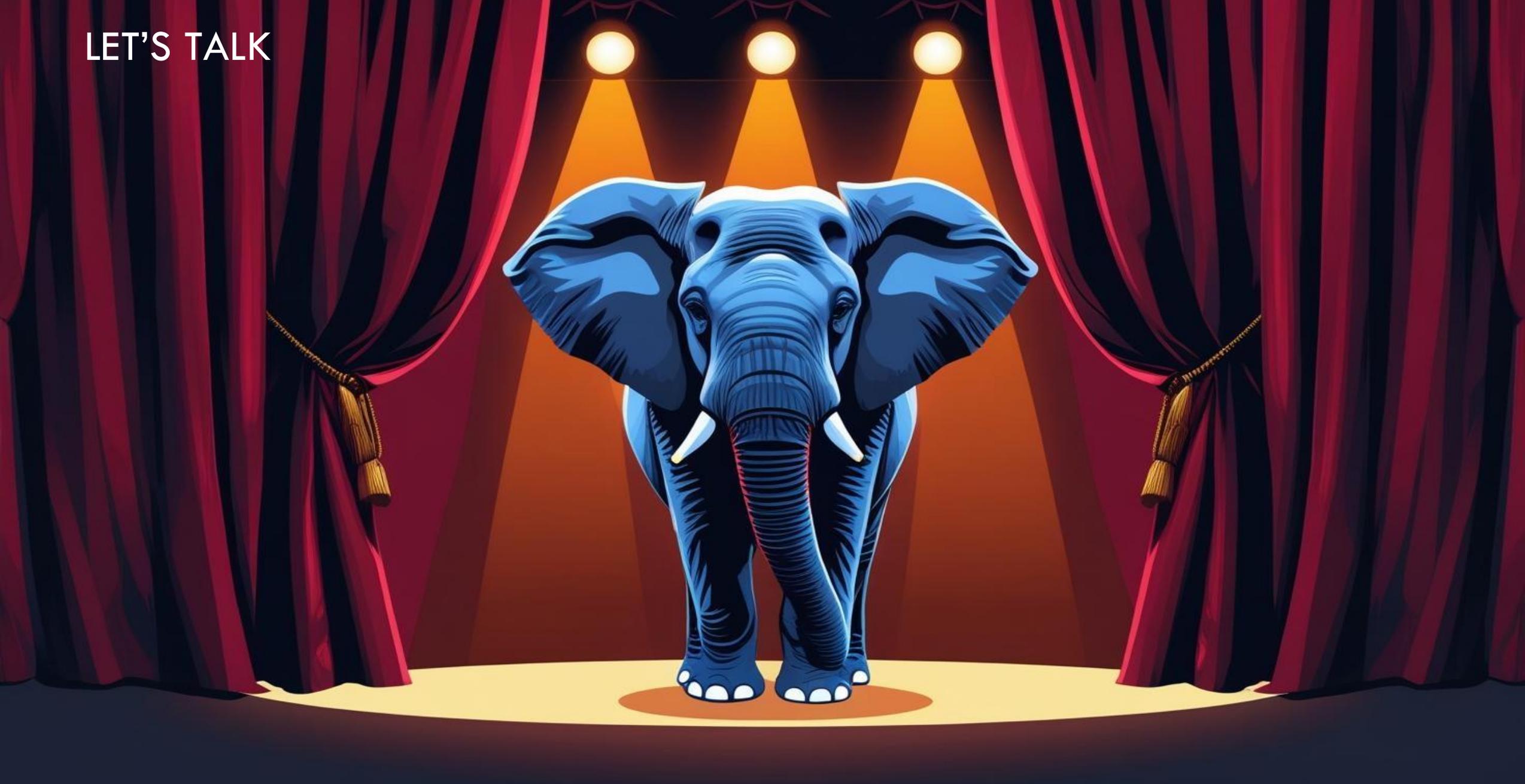
WHAT IS ECONOMICS?

Economics is the study of how people, businesses and governments **choose to use limited resources (time, money, materials, skills) to satisfy unlimited wants.**

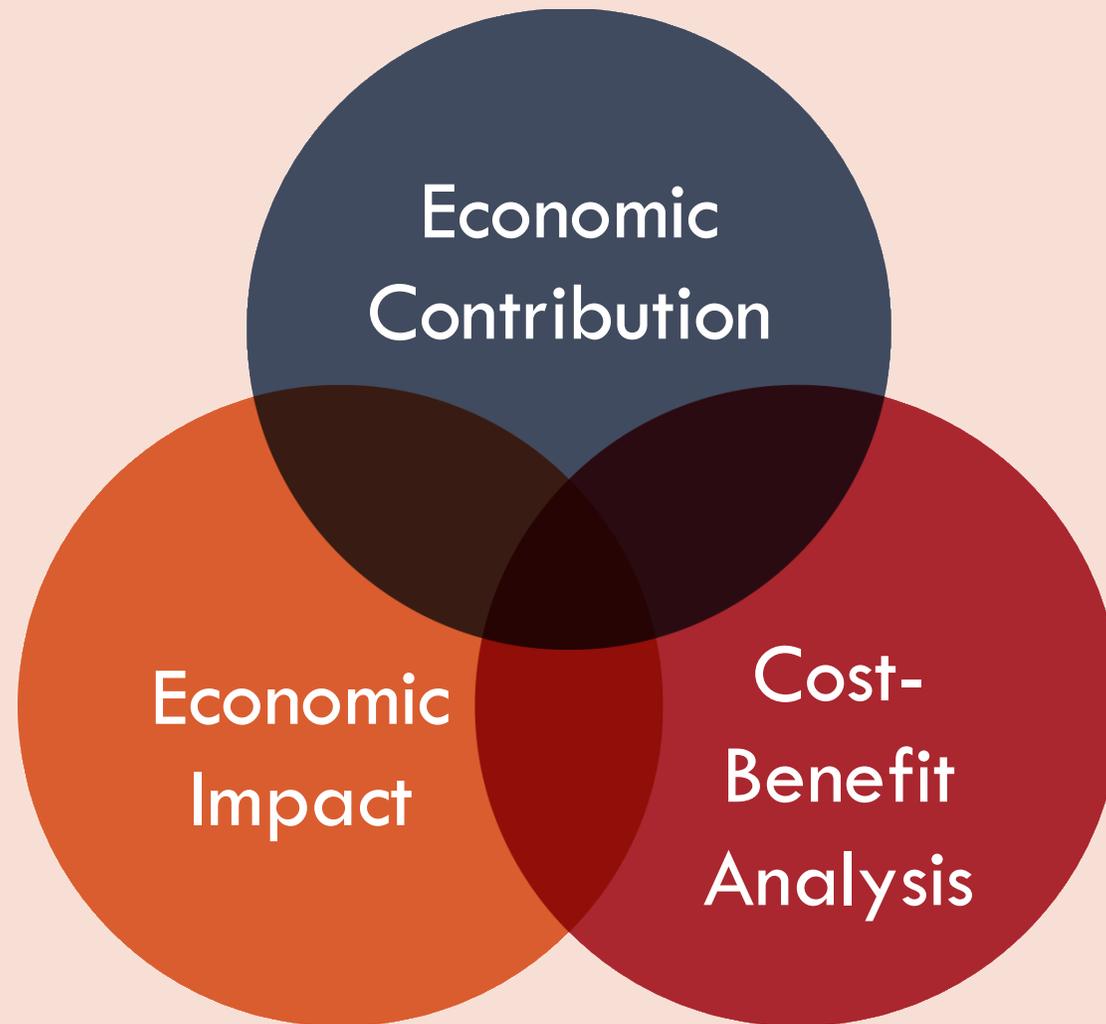
Micro-economics zooms in on individual decisions (e.g. a family deciding whether to buy tickets, a venue deciding how many staff or shows it can afford).

Macro-economics pans out to the whole system - how those small choices add up to growth, employment, inflation and public finances.

LET'S TALK



THREE ECONOMIC LENSES



ECONOMIC CONTRIBUTION

Measures gross activity generated by an organisation/sector.



Looks at turnover, GDP, employment.



Uses Input–Output tables (ABS).



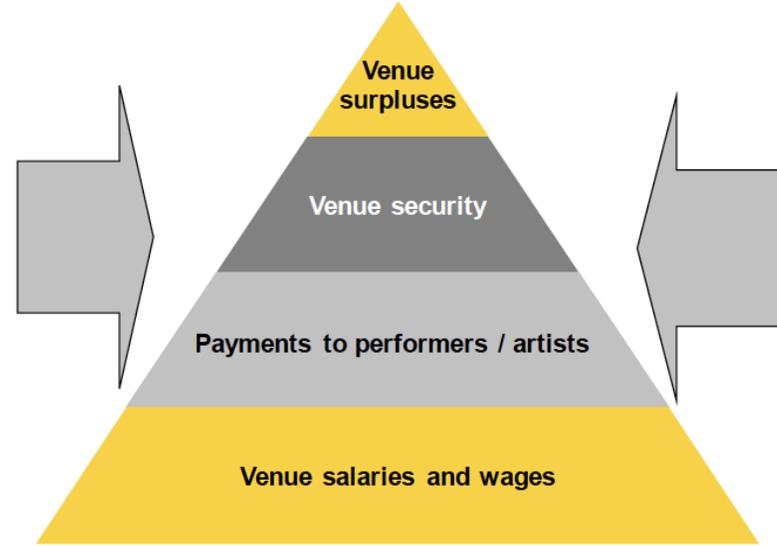
ECONOMIC CONTRIBUTION

The venue-based live music industry

Customers of the industry

Patrons attending venue-based live music performances

Gross production –
Measured by revenues



Suppliers to the industry

Food and beverage suppliers

Advertisers/ Marketers

Landlords

Utilities

Cleaning

Costs –
Measured by expenses

Industry Value Add - Measured by venue profit and wages and payments to performers

Measures gross

Looks at turnover

Uses Input–Output

Attendances and number of live music performances by:

- Venue type
- Venue size (based on capacity)
- Ticketed and non-ticketed

X

Average live music venue revenue and cost profiles:

- (1) Average Revenues
- (2) Average Value Add
- (3) Average Wages

=

Economic size of the venue-based live music industry:

- (1) Total Output
- (2) Industry Value Add
- (3) Total employment

EXAMPLE: “CULTURAL FACILITIES – NSW EVOCITIES CASE”

Output (Goods & Services)		Value Added (GRP)		Household	
Direct	\$37.96M	Direct	\$21.59M	Direct	\$10.54M
Flow-on	\$23.84M	Flow-on	\$10.76M	Flow-on	\$4.86M
Total	\$61.81M	Total	\$32.35M	Total	\$15.40M

293 FULL TIME EQUIVALENT JOBS

*26 museums, galleries & theatres
across 7 NSW regional cities.*

Flow-on = indirect + induced effects modelled via regional IO multipliers (Western Research Institute, 2014). Figures rounded to nearest \$10k / FTE.

WHY?



Easy to complete.



Shows value
beyond direct
spend.



Can be used for a
single
organisation or
group of
organisations.

TYPES OF HEADACHES



MIGRAINE



TENSION



STRESS



ECONOMIC

COST BENEFIT ANALYSIS



Compares costs &
benefits over
life-cycle.

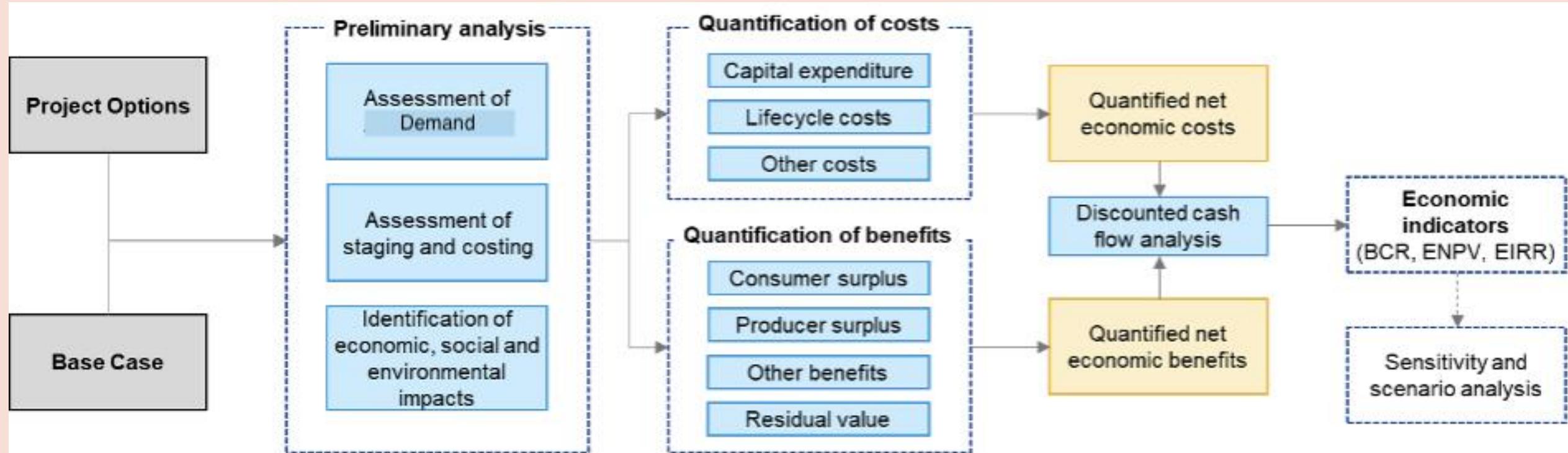


Uses Net Present
Value (NPV) &
Benefit-Cost Ratio
(BCR).



Includes
intangibles
(cultural vibrancy,
social cohesion).

COST BENEFIT ANALYSIS



EXAMPLE

Cost/Benefit Category	Base Case (\$m,PV)	Redevelopment Option (\$m,PV)
Capital costs	59.6	250.0
Operational costs	177.5	606.7
Total Costs	237.2	856.7
Commercial revenue	76.9	591.2
Visitation value (consumer surplus)	65.2	133.2
Tourism value	48.3	96.8
Educational value	109.5	202.8
Residual value	15.1	31.9
Total Benefits	315.0	1,055.9
Incremental Costs (Option less Base Case) (1)		619.5
Incremental Benefits (Option less Base Case) (2)		740.9
Net Present Value of Redevelopment Option (3) ; (2) – (1)		121.3
BCR of Redevelopment Option (4) ; (2)/(1)		1.20

WHY?



Establishing the financial benefit of an investment.



Calculates the “value” of non-monetary benefits



Consistent across Federal and State governments across Australia.

LIGHT BULBS

How many economists does it take to change a light bulb?



None, if it was broken, the market would fix it.

IMPACT

Impact asks:

“What changes in the economy because we exist?”

Logic chain:

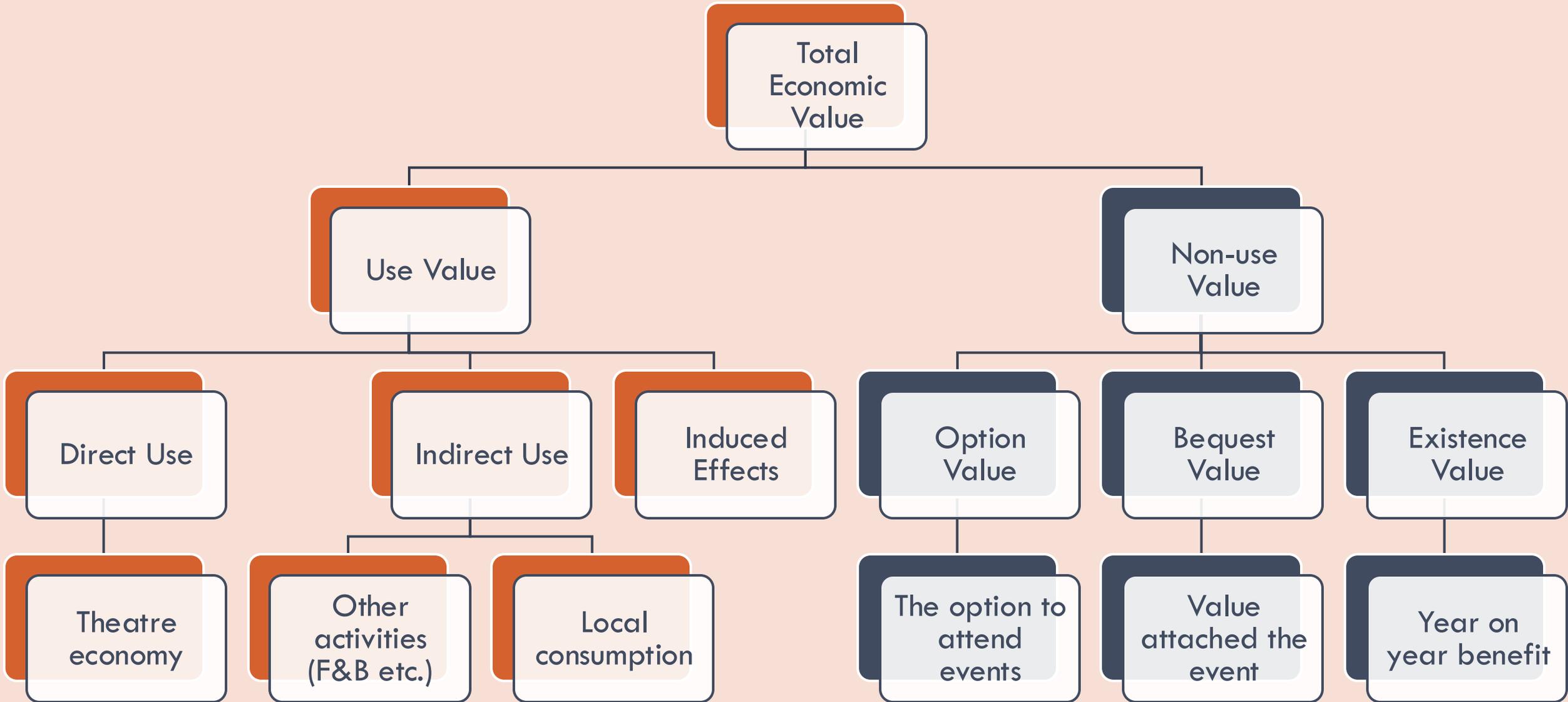
Inputs → Activities → Outputs → Outcomes → Impacts.

Direct, indirect, induced effects:

Multipliers (type I & II).

Common pitfalls:

Displacement, double-counting, deadweight.



DIRECT IMPACT DIRECT BENEFITS FROM SPENDING

A visitor spends money at local restaurants, stores and other businesses supporting workers salaries.

INDIRECT IMPACT BUSINESS-TO-BUSINESS PURCHASES IN THE SUPPLY CHAIN

The stores are supported by suppliers, delivery companies and other industries.

INDUCED IMPACT EMPLOYEES IN THE SUPPLY CHAIN SPEND THEIR WAGES IN THE COMMUNITY

Workers at the suppliers, delivery companies and other industries spend their salaries in the broader community



Direct Effects



Employment

The performing arts venue directly employs a range of professionals, including actors, technicians, administrative staff, and support personnel. These employees receive salaries and wages, contributing to their income and livelihood.



Ticket Sales

The revenue generated from ticket sales directly contributes to the venue's operational budget, allowing it to cover expenses such as salaries, production costs, and maintenance.



Venue Bookings

Bookings generate activity and revenue for the venue and enhance its financial sustainability.



F&B/

Merchandise Sales

Venues offer F&B to audience members which generates revenue. Merchandise may also be sold. These sales contribute to the venue's revenue.



Operating Expenses

The venue's operating expenses such as utilities, maintenance, marketing, and administrative costs.

Indirect Effects



Visitor Spending

The influx of audience members attending performances at the venue boosts demand for nearby businesses, including restaurants, hotels, and shops. This local spending circulates within the community, providing economic support to these establishments.



Tourism

The presence of a vibrant venue can attract cultural tourists: These visitors contribute to the local economy by spending on accommodation, dining, transportation, and other travel-related services.



Tax Revenues

The indirect impact on government tax revenues generated through increased economic activity, including sales tax, payroll tax, and other applicable taxes.



Job Creation

Indirect jobs created in other sectors due to increased demand for goods and services linked to the venue's operations.



Supply Chain Impact

The venue's operations require the purchase of various goods and services, such as beverages and equipment. This generates revenue for local vendors and suppliers, supporting their businesses.

Induced Effects

- **Multiplier Effect:** The initial spending by audience members and the venue's employees triggers a multiplier effect. As these individuals spend their earnings on various goods and services, each dollar spent generates additional rounds of spending, amplifying the venue's economic impact.
- **Employment and Income:** Additional employment opportunities and income generated in the local economy due to increased consumer spending resulting from the venue's activities.
- **Consumer Spending:** Increase in consumer spending that results from the direct and indirect economic activities related to the performing arts venue.
- **Local Business Viability:** Positive impact on the viability of local businesses. As consumer spending increases due to the venue's activities, businesses may experience improved sales and growth opportunities.
- **Tax Revenues:** Increased economic activity leads to higher tax collections

MULTIPLIERS

The cumulative effect of all these rounds of spending results in a total economic impact that is larger than the initial amount spent. The multiplier effect magnifies the initial spending and generates additional economic activity in the community.



- A venue or festival or producer spends money to buy shows, hire actors, technicians, and administrative staff. This initial spending injects money into the local economy.

- Workers receive income for their work. They, in turn, spend a portion of their income on various goods and services in the local community, such as housing, groceries, and more.

- Spending by workers increases the demand for goods and services in various sectors. This prompts businesses in these sectors to hire more employees and produce more goods to meet the higher demand.

- The increased employment in these sectors leads to more people receiving income, which, again, leads to higher consumer spending.

- As the cycle continues, the additional income generated from each round of spending leads to further rounds of spending. This process repeats multiple times, with each subsequent round of spending being smaller than the previous one.

NON-USE BENEFITS

Non-use values place a value on the venue (or event), even though they do not experience the user benefits identified. This value stems from the following benefits:

- **Option value** – although an individual may not attend a performance/event, the knowledge that it will be indefinitely accessible in the future creates what is known as an “option value”. In this case, there is an understanding that if the venue was not available, the individual would feel a quantifiable loss.
- **Existence value** – this reflects individual perceptions of how the Venue contributes to the basic and essential elements of a local community as well as the benefit it gives to Artists. In essence, people are willing to pay for the venue so that others can benefit from its activities.
- **Bequest value** – individuals and communities value the Arts and Artists just so future generations might benefit from their existence. This cultural and historical legacy stems from the feeling of obligation and responsibility towards future generations, particularly around activities that have perceived community value and/ or function to meet community needs.

Measurement

Contingent valuation - willingness to pay

The contingent valuation (CV) method is a survey-based stated preference technique that elicits people's intended future behaviour in constructed markets. In a contingent valuation questionnaire, a hypothetical market is described where the good in question can be traded. This contingent market defines the good itself, the institutional context in which it would be provided, and the way it would be financed. Respondents are asked directly for their willingness-to-pay (or willingness-to-accept) for a hypothetical change in the level of provision of the good. Respondents are assumed to behave as though they were in a real market.

Educational benefit type	How it shows up in (or beyond) the venue	Why it counts as a non-use value	Typical way to put a \$ number on it
Knowledge & skills uplift	Formal workshops, master-classes, curriculum-linked school programs	Residents who never attend still value local kids gaining arts literacy	Contingent-valuation (CV): “What annual levy would you pay so schools can keep using the theatre’s tech lab?”
Improved educational attainment	Higher graduation or literacy rates in districts with strong cultural access	Community benefits even if individuals do not participate personally	Cost-avoidance / human-capital: translate the extra Year-12 completions into lifetime earnings or avoided remedial-education costs
Child development & creative thinking	Early-years music or drama sessions foster cognitive and social growth	Parents value this future capacity for the whole cohort, not just their own child	Well-being valuation or SROI: proxy the gain in children’s life satisfaction or the cost of equivalent private lessons
Cultural literacy / lifelong learning	Regular lecture series, exhibition floor-talks, artist Q&As	Locals like living in a “knowledge-rich” town, regardless of attendance	Choice-modelling: respondents presented with scenarios where talks cease unless fees are introduced; infer willingness-to-pay

WHY



Shows the impact
in a financial
sense.

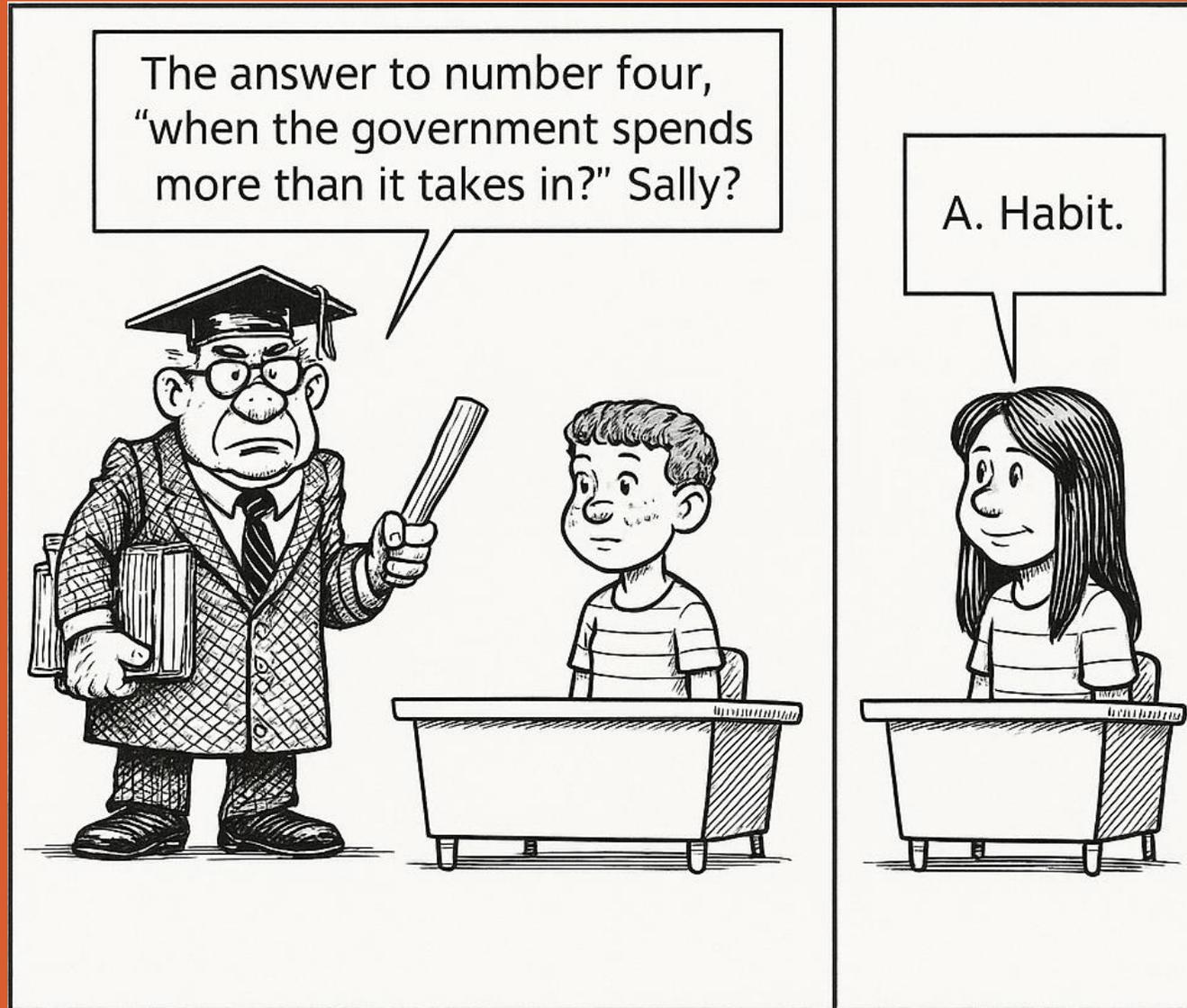


Shows the
importance of the
venue to the local
economy.



(Futher) justifies
the value of
investment.

GOVERNMENT SPENDING



QUESTIONS



*Where there is an abundance of data and stats, the numbers are not necessarily the answer.
It is the practical and applied analysis of the data that provides insights and creates value.*



THANK YOU

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