



A strategic and economic business case for private and public sector investment in the arts in Canada

Bfta *Business for the Arts*
Le monde des affaires pour les arts

October 2009



• Executive summary

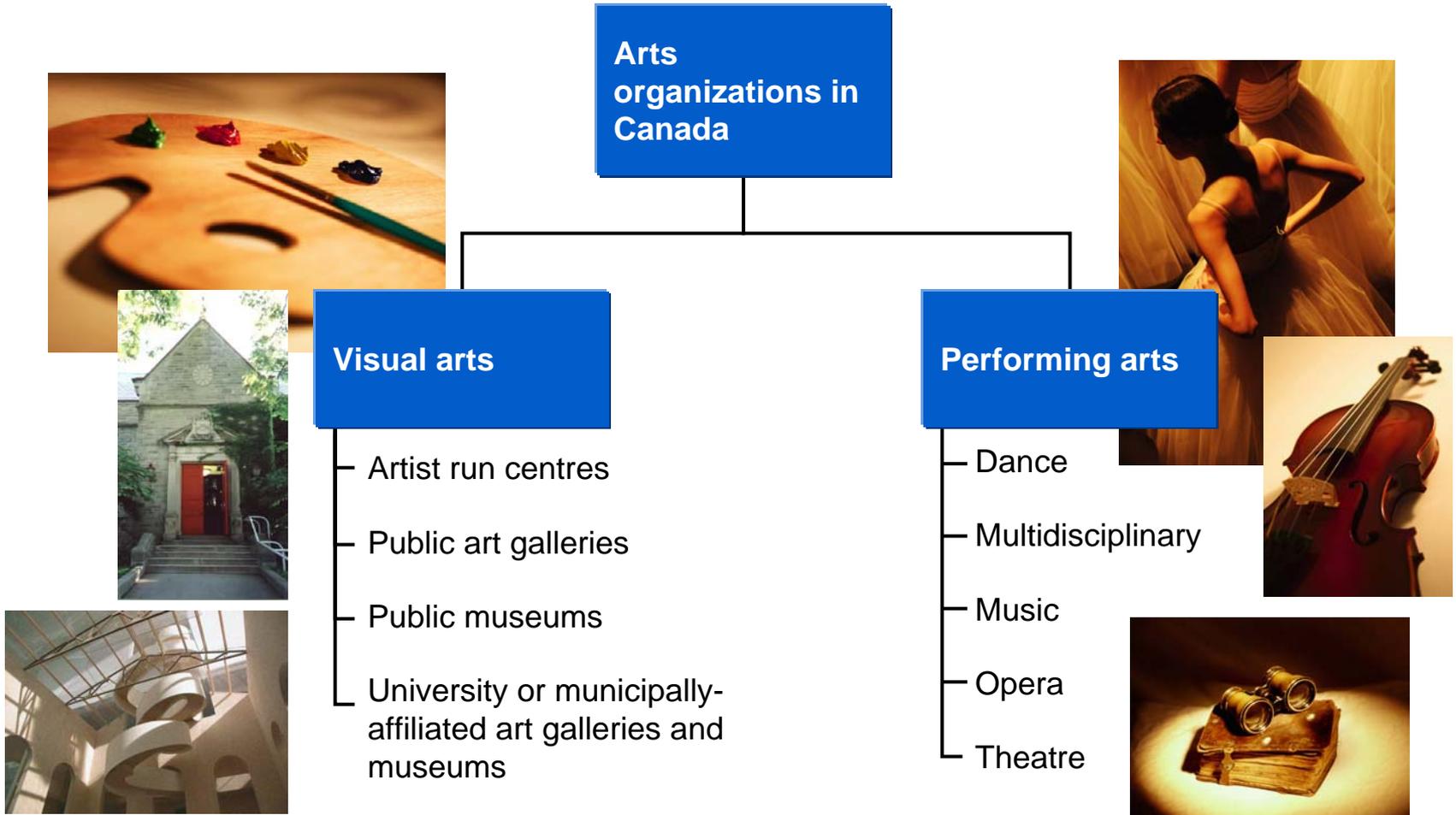
- Background on funding of the arts in Canada
- Economic business case
- Case studies of Canadian arts organizations
- Other benefits of arts funding
- Implications for the public sector

- Public-private partnerships are well developed in the arts and culture sector
 - Public sector support of the arts leverages private sector support
 - In 2007, 62% of the \$958 million in external investment in the arts was from the public sector
- Public-private investments have strong positive returns
 - Direct benefits (e.g., ticket sales, concessions) earn back the initial investment amount
 - Indirect benefits (e.g., tourism, multiplier effects) have the potential to generate even higher returns
- This business case is supported by profiles of three successful Canadian organizations – the Toronto International Film Festival, EPCOR CENTRE, Stratford Festival. They demonstrate that
 - As the organizations matured, there was a shift from public funding to private support
 - Growth in earned revenue has usually outpaced external funding, increasing the rate of return on investment
- An investment in the arts provides many additional benefits to businesses, as well as aligning with the interests of the community
 - Corporate benefits: regional development, corporate social responsibility, attraction of creative employees, marketing benefits
 - Social benefits: education, community engagement, national brand identity, multiculturalism
- The business community can take a leadership role in investing in the arts in Canada by initiating strategic public-private partnerships



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Canadian arts organizations can be classified into two major segments – visual arts and performing arts



Visual arts organizations

- Art Gallery of Ontario
- EPCOR CENTRE
- RCMP Centennial Museum
- Musée national des beaux-arts du Québec
- Canadian Museum of Civilization
- Kamloops Art Gallery
- Manitoba Museum
- Prince Edward Island Museum and Heritage Foundation
- Canadian Museum of Nature



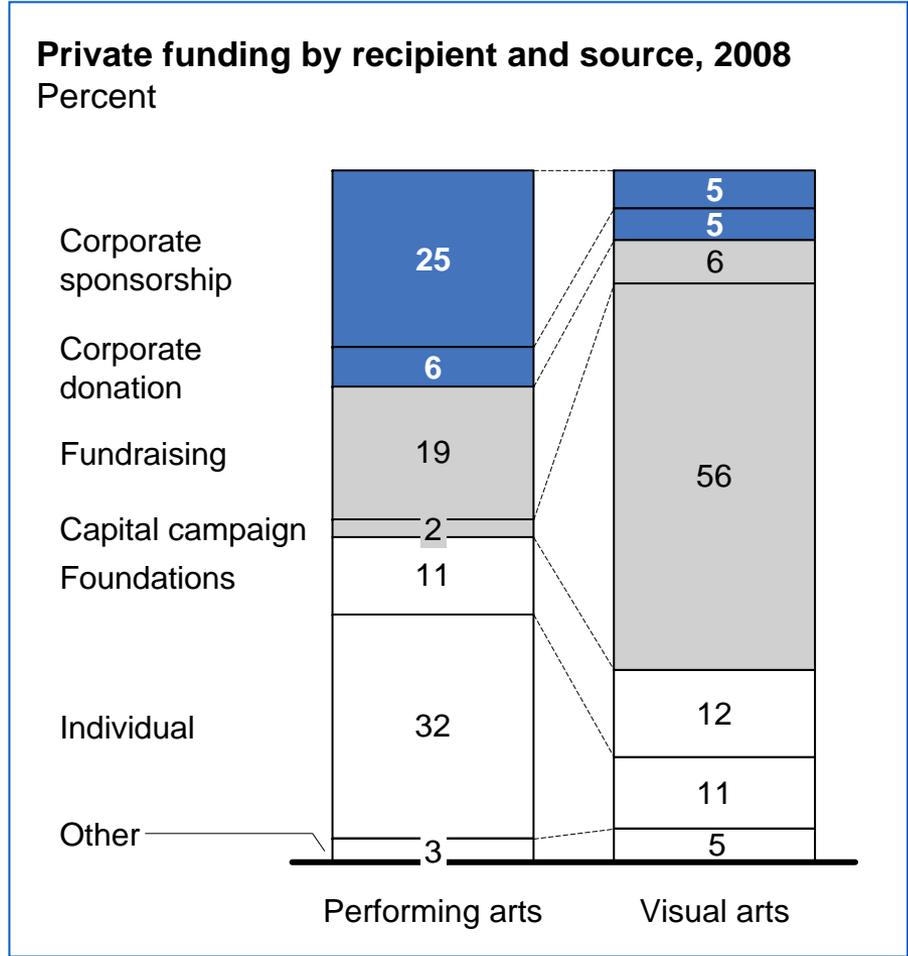
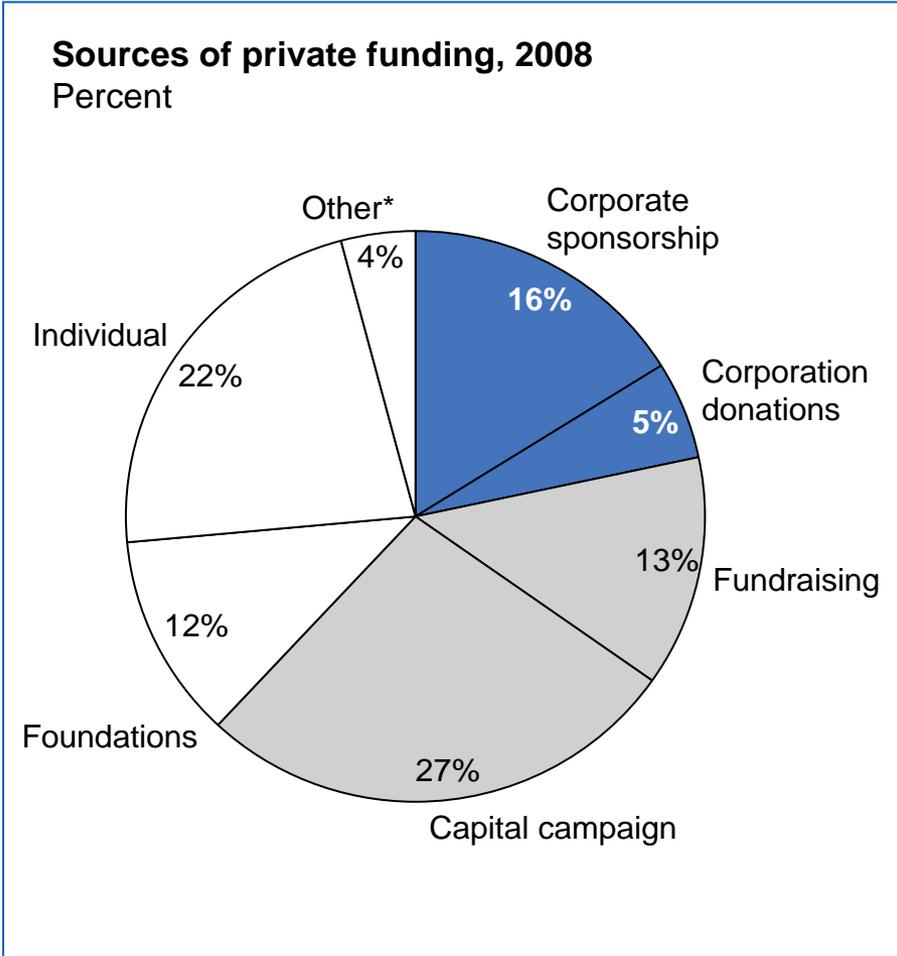
Performing arts organizations

- Stratford Festival
- Calgary Opera
- Grand Théâtre de Québec
- Kaleidoscope Theatre
- Atlantic Theatre Festival
- Danny Grossman Dance Company
- Winnipeg Philharmonic Choir
- Vancouver Symphony Orchestra
- Tafelmusik
- Manitoba Theatre for Young People
- Grands Ballets Canadiens



Corporate contributions constitute a significant share of private funding for the arts

Individual
 Partially corporate
 Corporate



* Other includes volunteer committees, endowment funds, and university grants

Sources: BftA Annual Survey of Performing Arts Organizations, 2006-2007; BftA Annual Survey of Public Museums & Art Galleries, 2006-2007; team analysis



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Funding cultural organizations releases the value of creating and presenting art to the entire community and causes a cascade of economic benefits



Spending on culture encourages the creation and presentation of artwork, with strong positive consequences for the economy

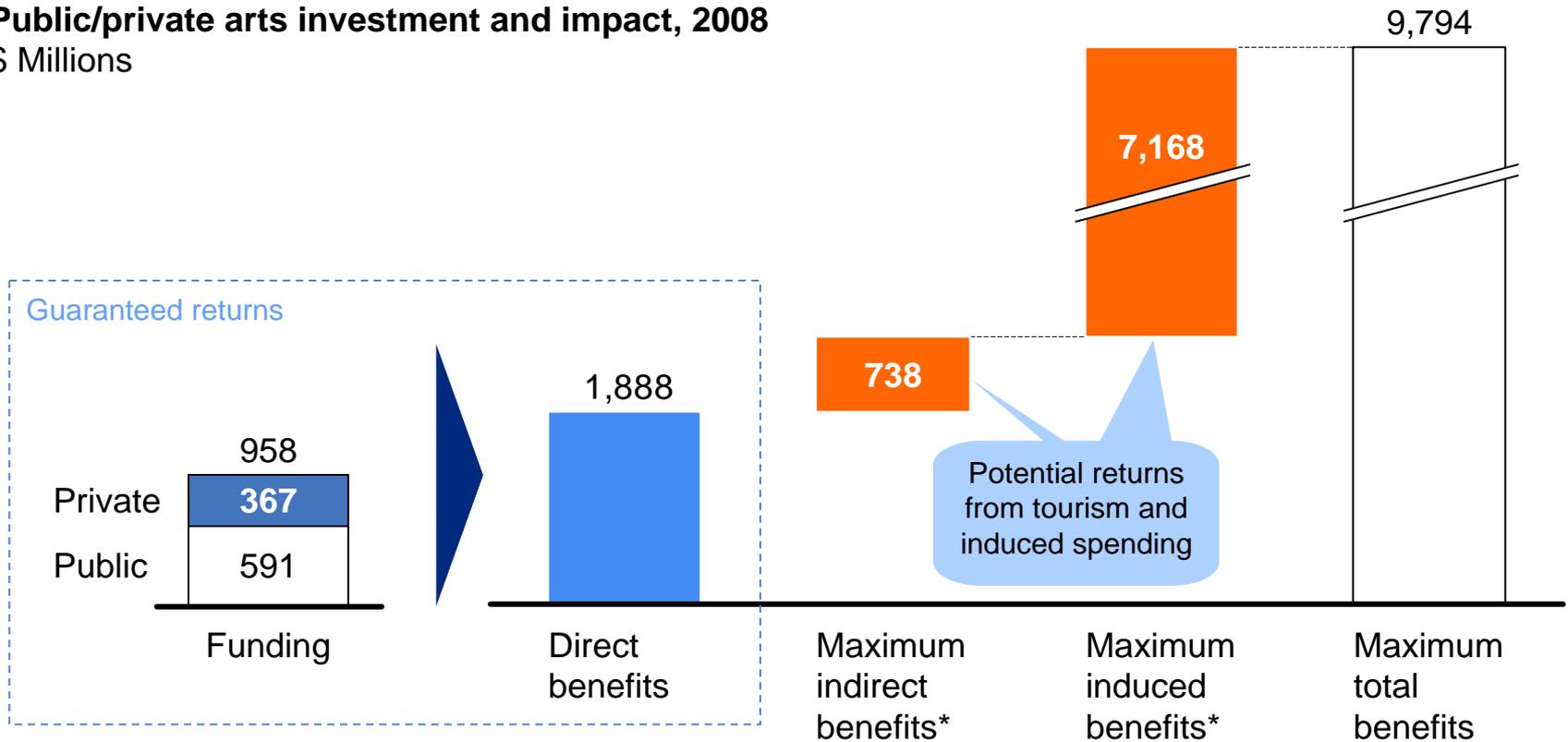
Direct benefits
Artists and organizers recover revenue from selling tickets, concessions, etc. as part of exhibiting or performing works of art

Indirect benefits
The arts draw tourists from around the world, increasing tourism dollars and boosting incidental businesses

Induced benefits
Money spent on the arts is spent in all areas of the economy by arts organizations and their employees

An investment in the arts is assured a positive return while also having significant potential for even greater results

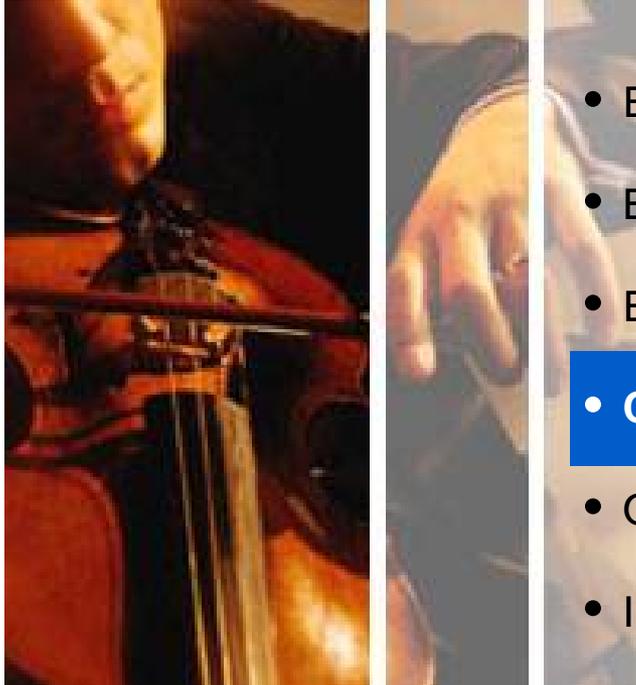
Public/private arts investment and impact, 2008
\$ Millions



Even before considering indirect or induced benefits, investing in the arts generates a positive return

* Assumption that 1.25% of tourism is attributable to the arts

** Multiplier effect of all spending attributed to the arts, estimated to be 2X original expenditure (i.e., arts funding + direct benefits + indirect benefits)

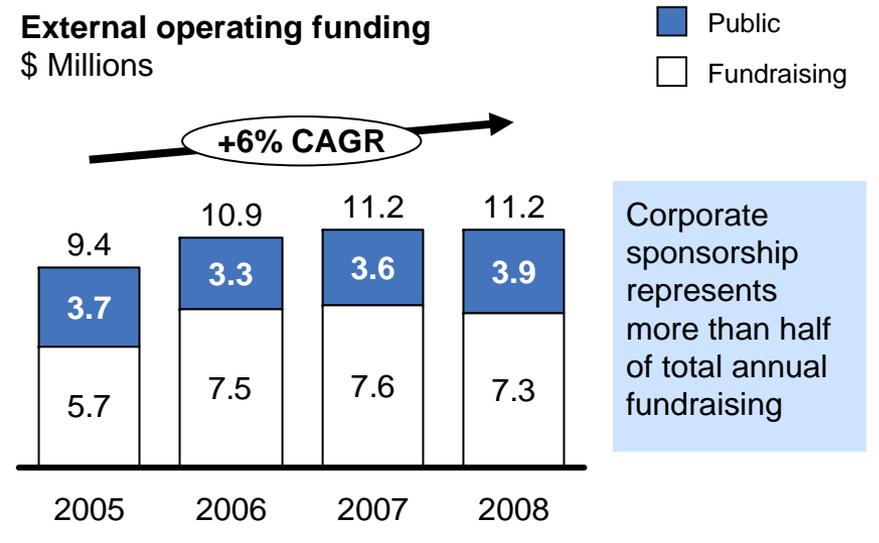


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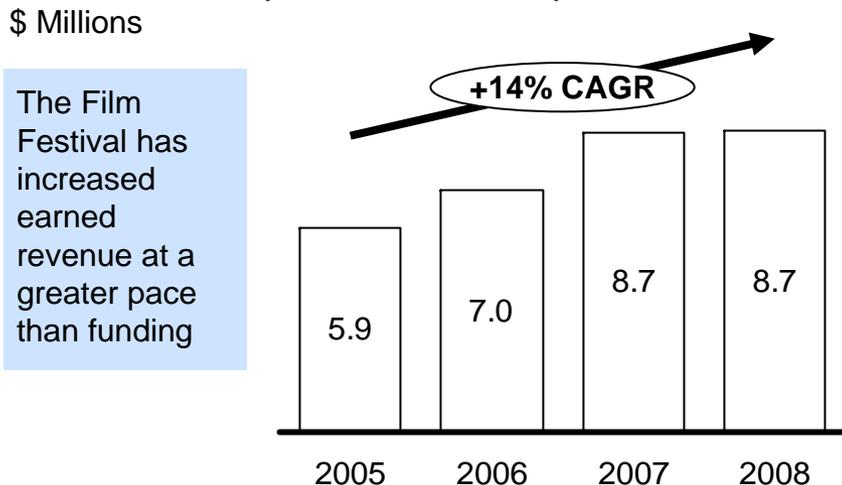
Background and summary

- “The Toronto International Film Festival has emerged as one of the most influential festivals in the world” (BBC News, September 2004)
- Since its inception in 1976, the Film Festival Group has played a vital role in Toronto’s arts community
- In addition to the Festival, the Group includes Cinematheque Ontario, Film Circuit, Sprockets Toronto International Film Festival for Children, Talk Cinema, etc.
- The Film Festival, the main showcase of the Group, is a 10-day event that runs each September and in 2008 it showcased 312 films from 64 countries, drawing thousands of tourists
- The Group has raised 75% of the \$196 million need to build the Bell Lightbox, a year-round tourist destination and educational centre for cinema

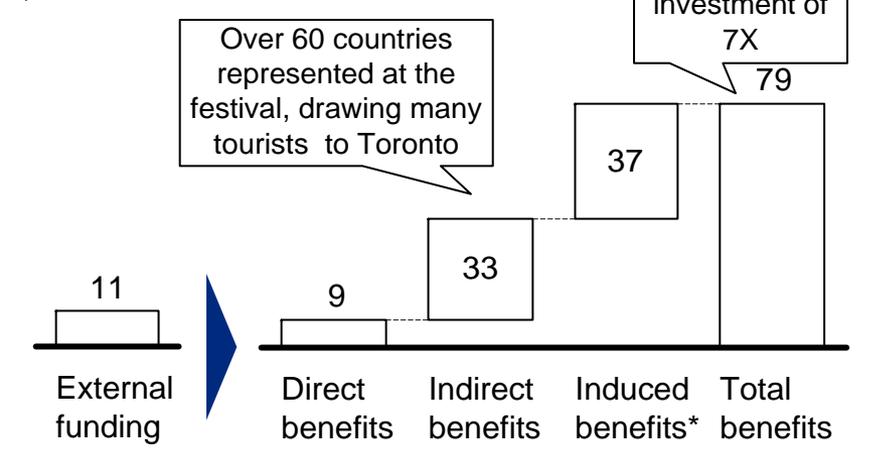
External operating funding \$ Millions



Earned revenue (i.e., direct benefits) \$ Millions



Indirect/induced benefits, 2008 \$ Millions



* Multiplier of 4.2 is based on direct spend distribution as follows: 50% on supplies, 40% on wages, 10% on other

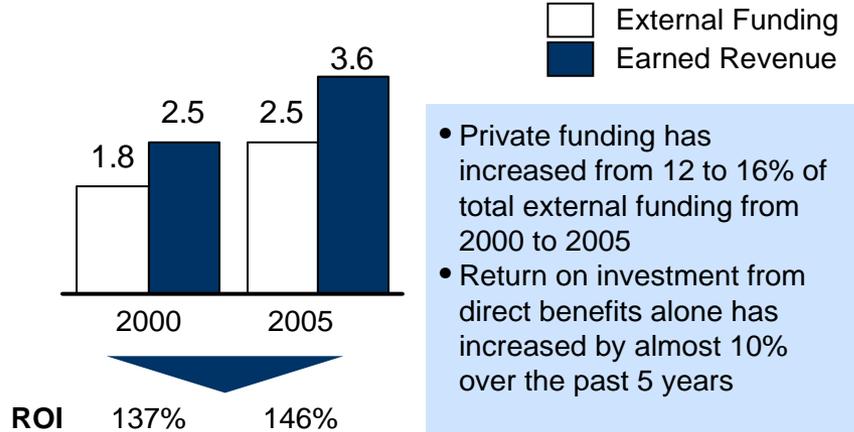
Bft Case study – EPCOR CENTRE, Calgary

Background and summary

- EPCOR CENTRE is a six-level building featuring multiple theatres and a concert hall in the heart of the Olympic Plaza Cultural District in downtown Calgary
- It produces and presents its own events in arts learning, music programming, and community engagement as well as working with external production companies
- Each year, almost 400,000 attend events at the EPCOR CENTRE, with 1800-plus performances and events, including live theatre, dance, art exhibits, music, arts education activities, etc.
- When the Centre first opened, public funding represented 48% of operating revenue; by 2008 it declined to 29% due to growth in earned revenues and other funding sources

Operating funding and direct Benefits

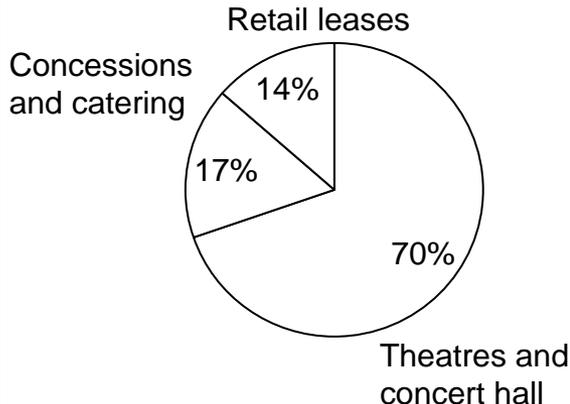
\$ Millions



- Private funding has increased from 12 to 16% of total external funding from 2000 to 2005
- Return on investment from direct benefits alone has increased by almost 10% over the past 5 years

Understanding direct benefits

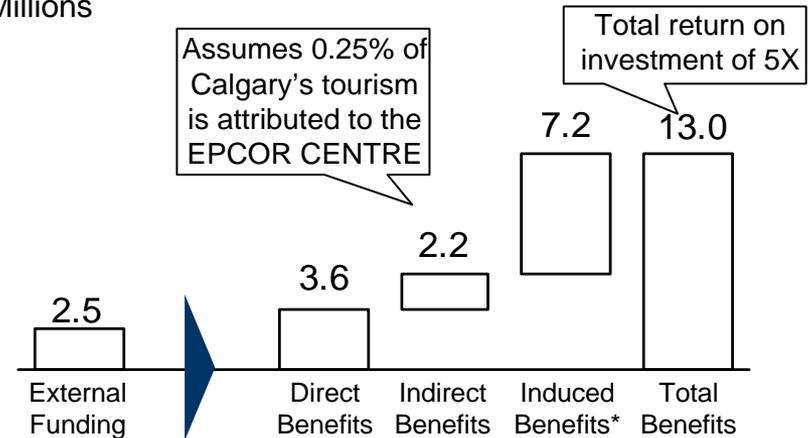
Percent of total earned revenue, 2008



EPCOR CENTRE has diversified its operations - over 50% of its earned revenue is from secondary operations (i.e., not programming related)

Indirect/induced benefits

\$ Millions



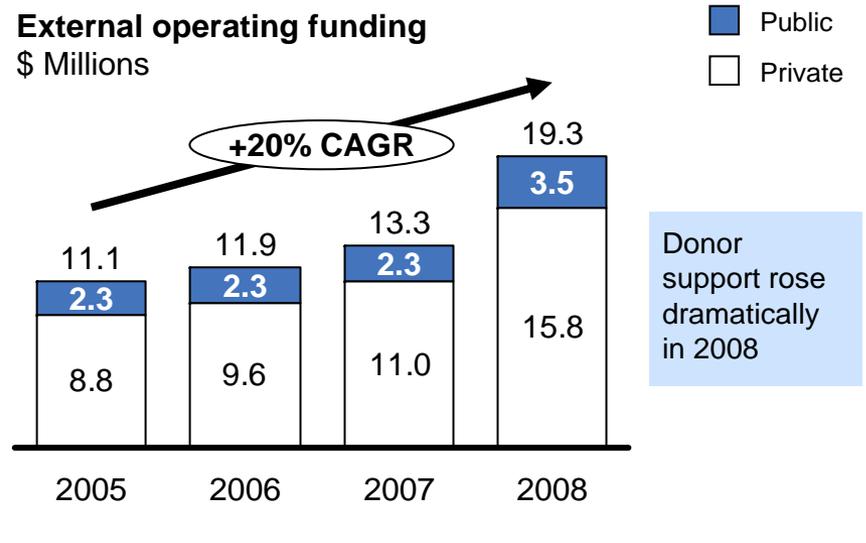
* Multiplier of 2.0 is based on direct spend distribution as follows: 15% on supplies, 50% on wages, 35% on other

Background and summary

- Founded in 1953, the Stratford Festival of Canada is a world-renowned repertory theatre festival, permanently located in Stratford, Ontario
- It produces works of theatre in the classical and contemporary repertoire, with special emphasis on the works of William Shakespeare
- The festival runs from April of November and draws over 550,000 attendees
- The Festival consistently earns positive returns above 2X the total funding, based on box office revenue only
- Stratford, Ontario has developed a thriving economy based on a strong local manufacturing base and a booming tourism sector

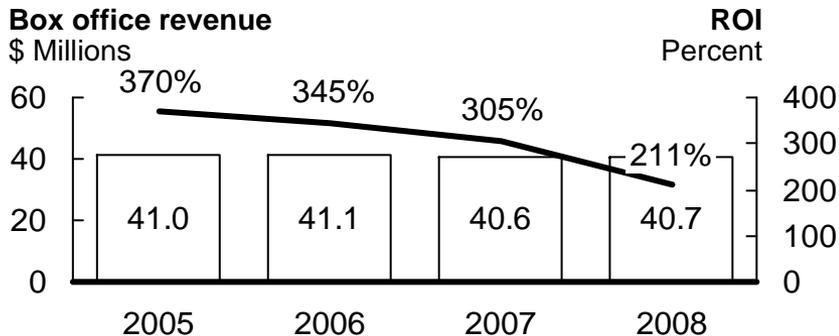
External operating funding

\$ Millions



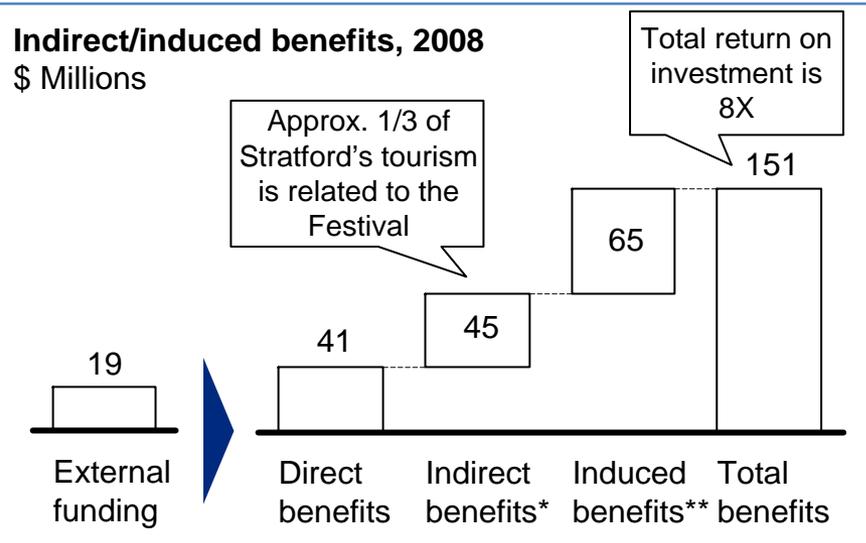
Direct benefits

Over the past 5 years, funding of the Stratford Festival has earned a return of over 2X based on direct benefits only



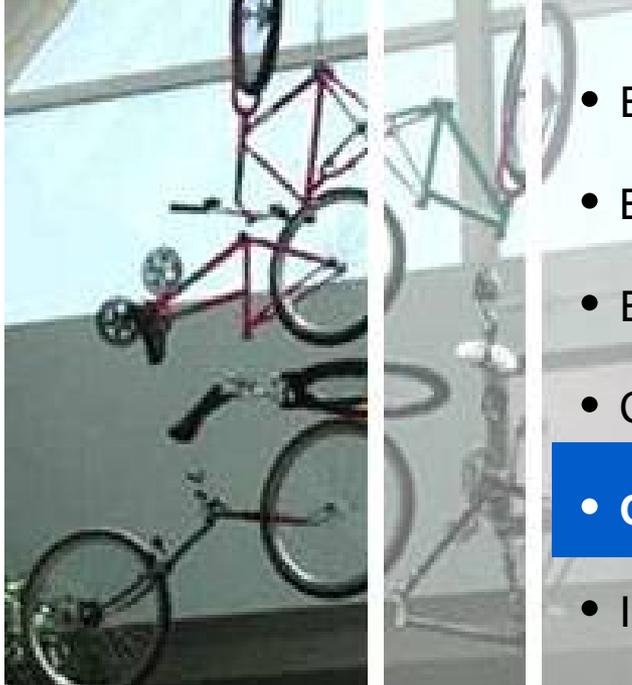
Indirect/induced benefits, 2008

\$ Millions



* Projection from 2006 tourism revenue for the city of Stratford

** Multiplier of 1.6 is based on direct spend distribution as follows: 28% on supplies, 50% on wages, 22% on other



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Additional benefits of arts funding

For business

1. Promotes regional development
2. Supports corporate social responsibility
3. Allows companies to attract the “creative class”
4. Acts as an alternative marketing vehicle

An investment in the arts provides indirect benefits to businesses...

For society

1. Enhances the education system
2. Builds social capital and community engagement
3. Helps to create a distinct ‘brand identity’ for Canada
4. Promotes multiculturalism

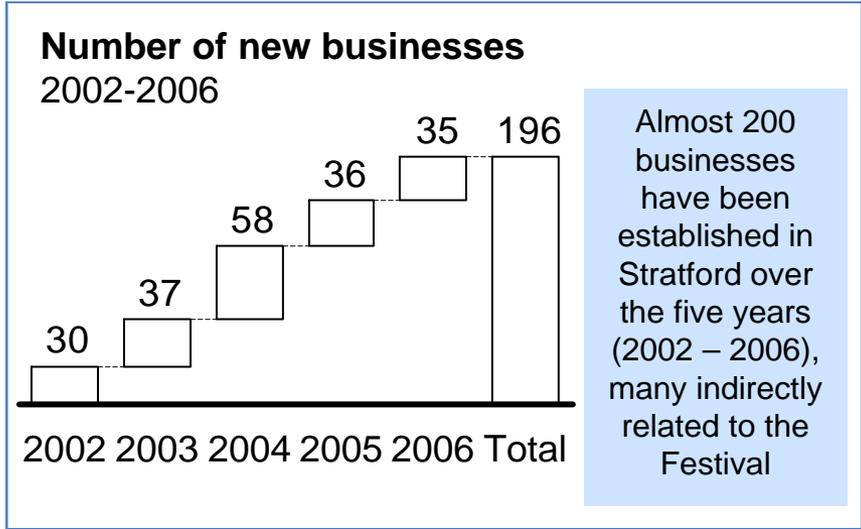
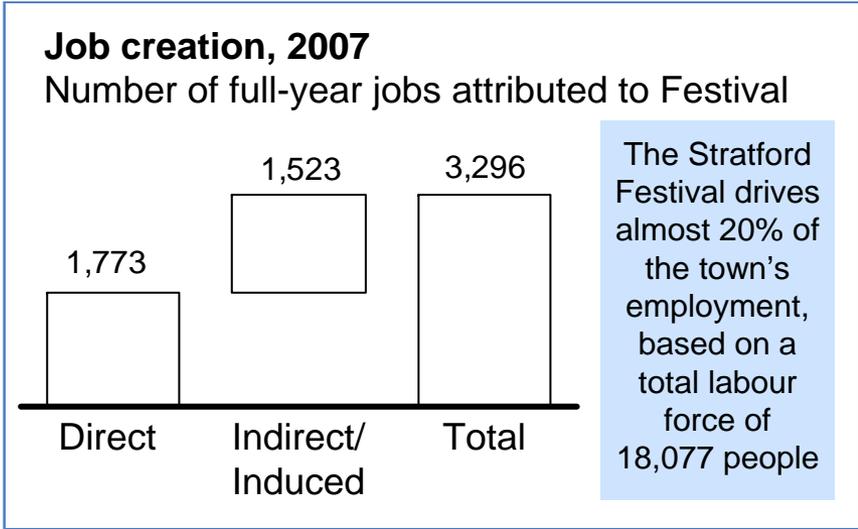
... and aligns with interests of key stakeholders: employees and customers

The arts can have a significant economic impact on local communities, as demonstrated in the Stratford example

EXAMPLE

Stratford Festival of Canada

- The Festival has played an important role in building a strong community and healthy economy in Stratford, by attracting hundreds of thousands of tourists each year
- Tourism and manufacturing are the two largest sectors in Stratford, a unique combination that makes Stratford one of the “economic hot spots” in Canada
- The unemployment rate in Stratford has been less than or equal to both the national and provincial levels for many years, and averaged 4.8% in 2006 (compared to the national and provincial averages of 6.3%)



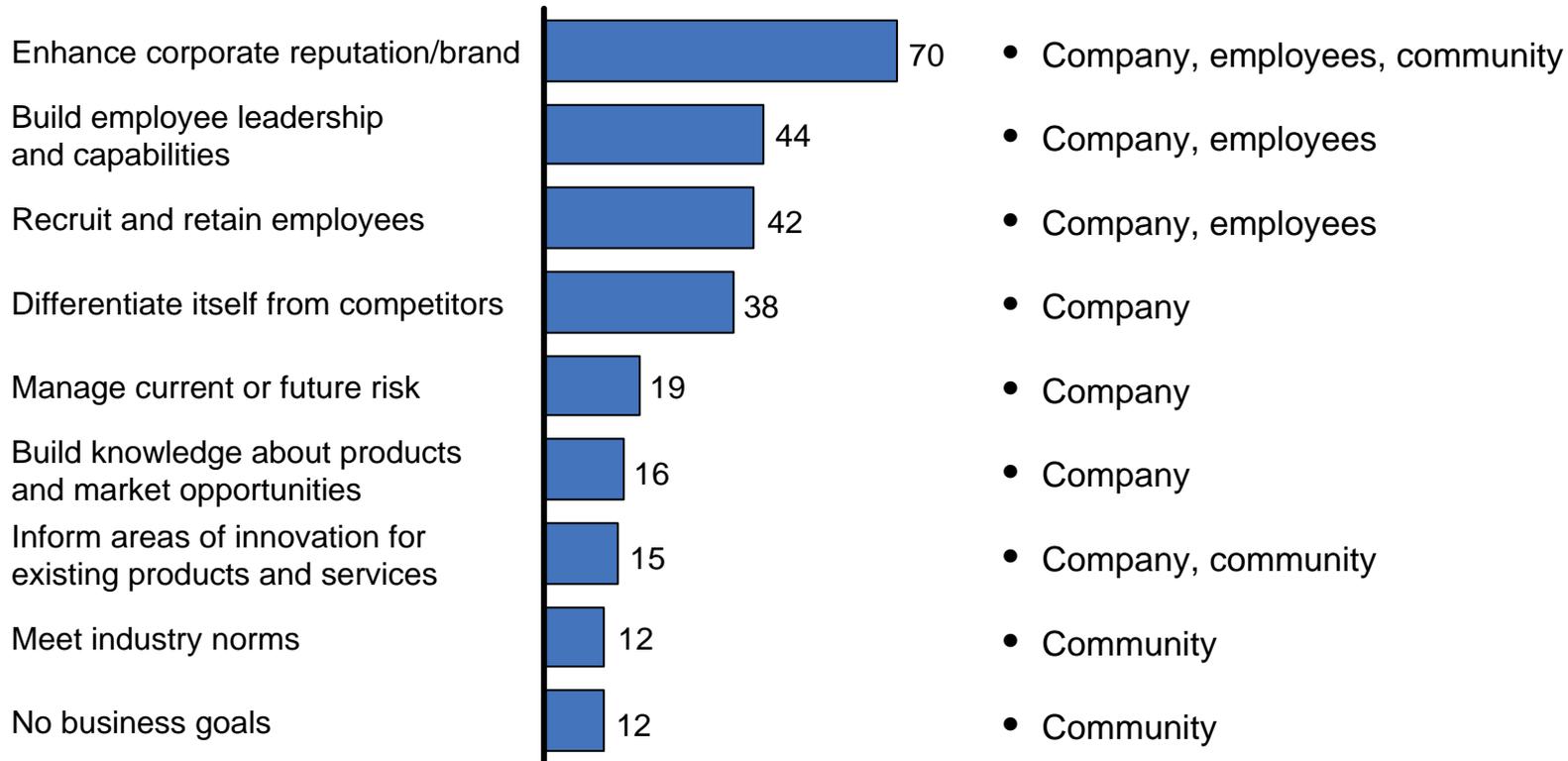


Corporate benefit #2

Organizations can achieve one or more of their corporate social responsibility objectives by investing in the arts

Business benefits sought through corporate philanthropy
Percent

Primary stakeholder(s) that benefit
(apart from the non-profit beneficiaries)

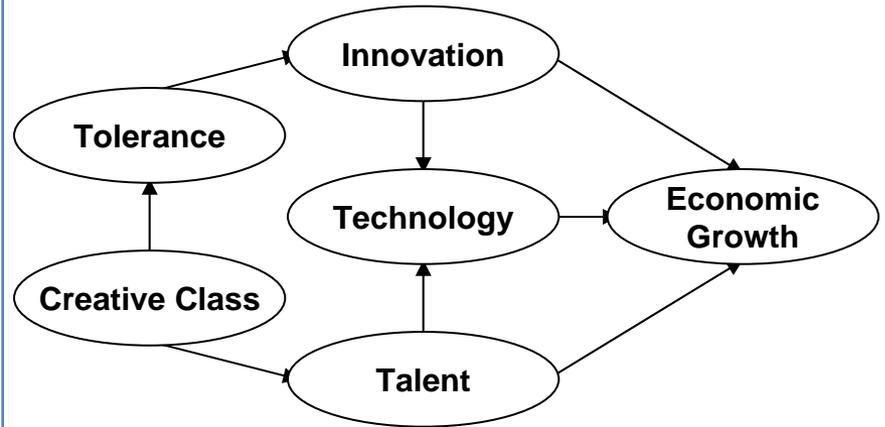


The arts can help companies attract the ‘creative class’

What is the creative class? Why is it important?

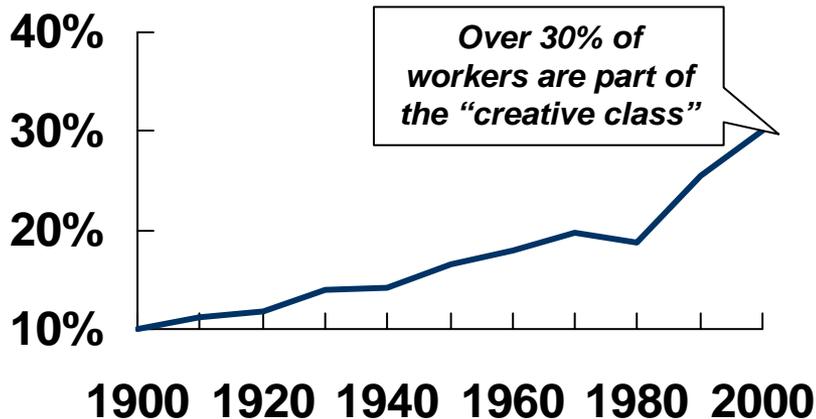
- The creative class includes people who generate economic value through their creativity (e.g., artists, scientists, creative professionals, etc.)
- Creative people tend to concentrate within particular cities/regions that nurture creativity, and have healthy arts/cultural programs
- To be successful, regions must attract and retain creative people (i.e., the Bohemian Index is a measure of artistically creative people in a given region)
- By supporting the arts and culture, companies encourage the development of a creative class in their respective regions, and benefit from increased innovation and technology development

Linking creativity to economic growth



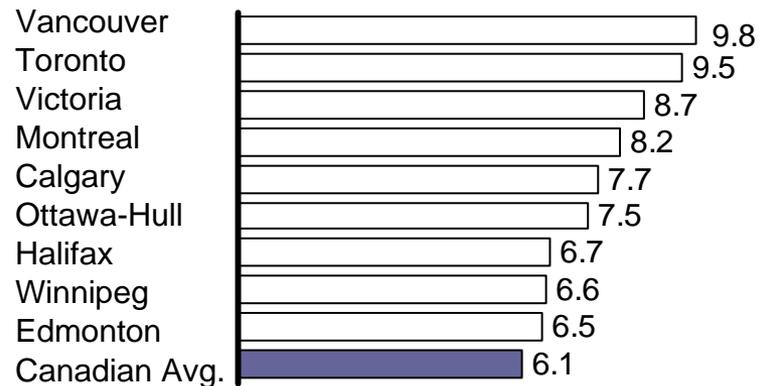
The rise of the “creative class”

Percent of total workforce*



The Bohemian Index in Canadian cities/regions

Bohemians per 1000 population**



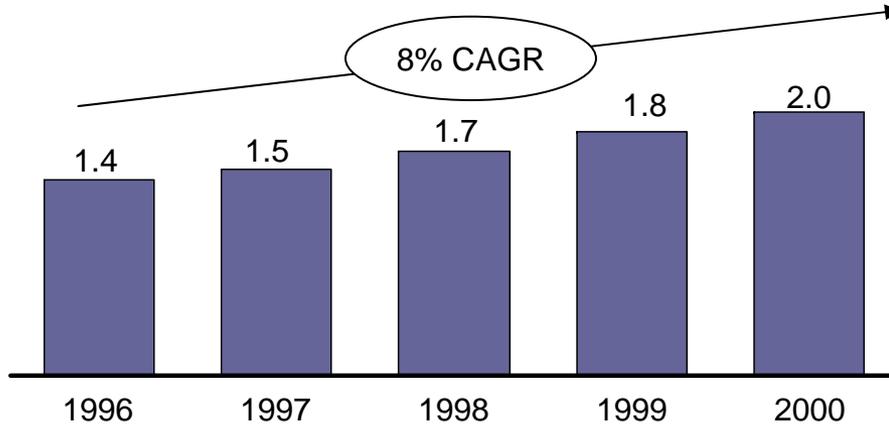
* Based on data from the United States

** Estimates based on an un-labelled graph

Companies can provide funding to the arts as part of a broader partnership strategy

ILLUSTRATIVE

US arts/festival sponsorship/partnership spend
\$ Billions



- Sponsorship/partnership spending has increased faster than any other marketing vehicle
- In 2000, it represented 13% of the total marketing spending

Major benefits of arts partnership

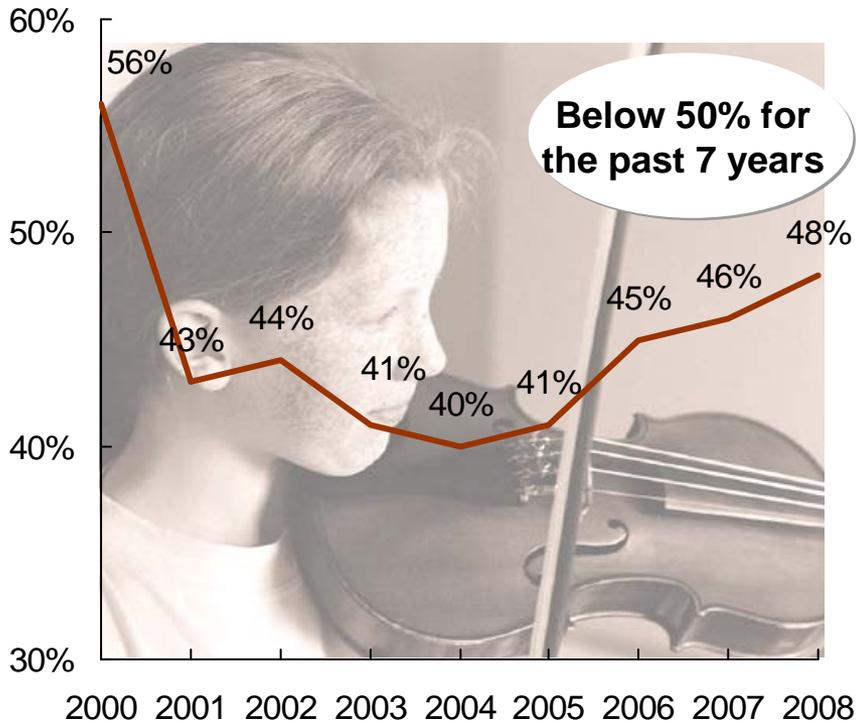
- Creates merchandising opportunities
- Increases media coverage
- Targets a specific consumer segment
- Allows entertainment of business partners
- Differentiates from competitors
- Creates association with a lifestyle and builds emotional bonds

Key questions regarding arts partnership

- Does the partnership match corporate/brand objectives?
 - Does the partnership fit with the corporate brand positioning and imagery?
 - Is the partnership a part of a consistent comprehensive brand strategy?
- Does the partnership convey the right message to the target audiences?
 - Does it reach the right target audience?
 - Does it elicit strong emotional involvement?

Example – Arts in Ontario

Percent of schools with music teachers



Children’s art programs

- Young People’s Concerts, Toronto Symphony Orchestra
- “Explore & Learn” programs at the Royal Ontario Museum
- Student Matinees at the National Ballet of Canada
- Shaw Festival Student Theatre Club
- Saturday Morning Art Club at the National Gallery of Canada
- Birthday Workshops at the McMichael Canadian Art Collection
- Kiwanis Music Festival

The arts can have a positive impact on the development of local communities and social networks

Arts and culture help engage new immigrants with social institutions

“[E]merging cultural organizations have helped connect immigrants to other services they need.” (Stern, Seifert, and Vitiello, 2008)

Culture builds stronger communities

“Partnerships among for profit and nonprofit organizations; arts, social service or religious institutions; artists, parents and neighbors have the potential to create a vital “ecosystem” where the arts and communities flourish.” (Stern and Seifert, 2002)

The arts contribute to innovation within a community

“Artistic activity that embraces the ideas and visions of different cultures can lead to new and innovative ideas and inventions” (Voluntary Arts Network, 2005)

Arts and culture can foster economic inclusion

“A neighborhood-based creative economy—anchored by a network of “natural” cultural districts—provides an inclusive vision of an expanding urban economy.” (Stern and Seifert, 2008)

The arts could be the basis for building a distinct brand identity for Canada

Criteria for choosing a national brand	Example: Australia's reputation as a sports country	Opportunity: associate Canada with the arts
International appeal	<ul style="list-style-type: none"> Sports are played throughout the world 	<ul style="list-style-type: none"> Canada has is a diverse country with many cultural voices Almost 40% of international tourists visit museums or galleries
Strong interest and participation within country	<ul style="list-style-type: none"> Australia ranked 5th in the Beijing 2008 Olympic medal count; 80% of Australians participate in sport 	<ul style="list-style-type: none"> Over 1.4 million seats were filled for the performing arts in 2007
Infrastructure in place to support the reputation	<ul style="list-style-type: none"> The Australian Sports Commission funds and supports sporting efforts throughout the country; the Australian Institute of Sport provides elite athletes facilities to develop their skills to the highest levels 	<ul style="list-style-type: none"> Prominent art schools exist in most major areas and centres like EPCOR in Calgary and the Bell Lightbox in Toronto teach and support the arts Canadian artists are recognized around the world
Economic benefits for the country	<ul style="list-style-type: none"> At the end of 2005 more than 100,000 people were employed in sport 	<ul style="list-style-type: none"> The culture sector provided 7.4% of the 2007 real GDP and contributed 1.1 million jobs
Commitment from the private and public sectors	<ul style="list-style-type: none"> The Australian Sports Commission received \$216 million (AUS) from the government and \$30 million (AUS) from corporate and other sources in 2007-8 	<ul style="list-style-type: none"> Private giving has assumed a greater proportion of arts funding over the last three years

Sources: Australia Sports Commission; Australia Bureau of Statistics; *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, 2008, Conference Board of Canada; BftA Annual Survey of Performing Arts Organizations

In addition, cities can leverage the arts as an important part of their revitalization programs

Arts and revitalization of cities

- Several major international cities, including Toronto, have successfully included the arts and culture as part of their revitalization strategies
- Such programs lead to many benefits for the cities including:
 - Increased tourism and other indirect economic activity
 - Improved quality of life and community engagement
 - Regeneration of undervalued/underutilized urban real estate
 - Relocation of business and residents from suburbs to downtown core
- Requires long-term support and partnership from the public and private sectors

Examples of cities that have become artistic centres

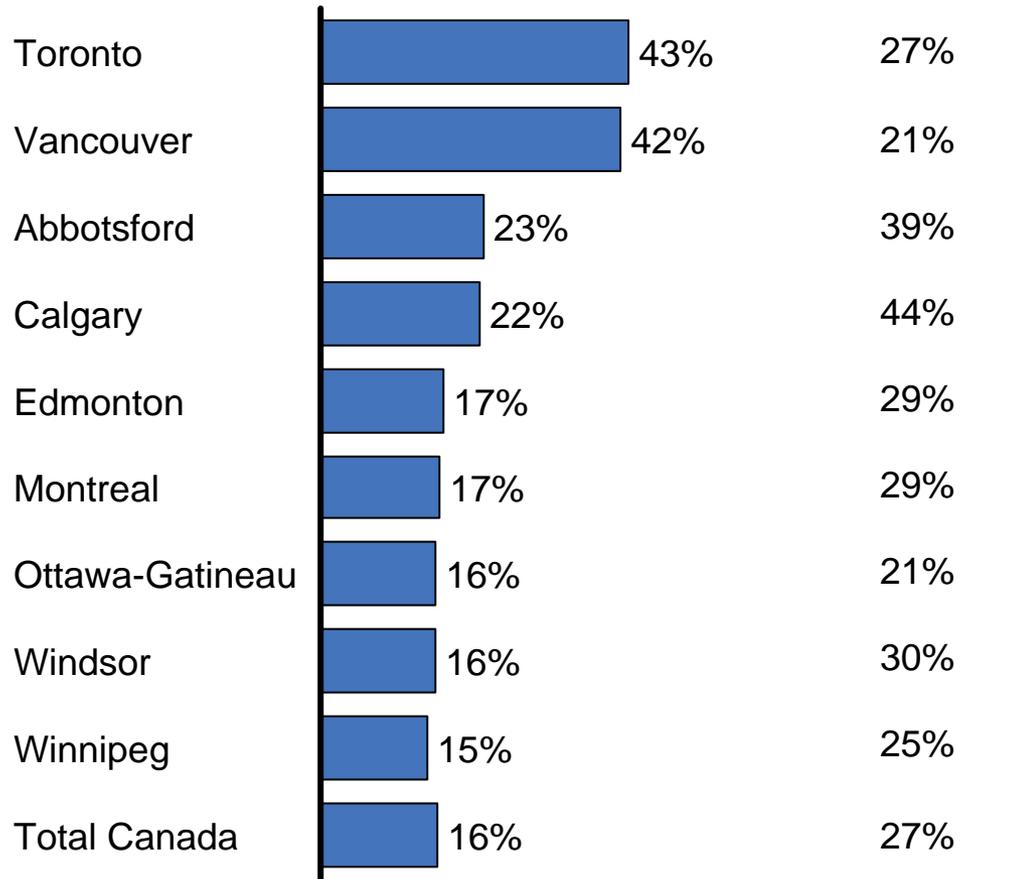
- | | | |
|---------------------|--------------------------|---------------------|
| • New York City, NY | • Amsterdam, Netherlands | • Shanghai, China |
| • Osaka, Japan | • Paris, France | • Chicago, IL |
| • London, UK | • Austin, TX | • Berlin, Germany |
| • Philadelphia, PA | • Newham, UK | • Havana, Cuba |
| • Barcelona, Spain | • Kamasawa , Japan | • Singapore |
| • Glasgow, Scotland | • Bilbao, Spain | • São Paulo, Brazil |
| • Sydney, Australia | • Phuket, Thailand | • Montreal, Canada |

Can other Canadian cities develop sustainable funding plans to incorporate the arts into their revitalization programs and develop an international reputation?

As Canada becomes more multicultural, the arts can be used to promote diversity and create inclusiveness

Proportion of visible minorities
Percent

% Growth
2001-2006



Multicultural art programs

- Multicultural Art Gallery & Resource Centre
- Thunder Bay National Exhibition Centre and Centre for Indian Art
- African Theatre Ensemble
- Can-Asian Dance Festival
- Multicultural Arts for Schools and Communities
- Asian Heritage Foundation
- The Ukrainian Museum of Canada
- The Marion and Ed Vickar Jewish Museum of Western Canada
- Arts Councils' granting programs



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• **Implications for business community**

There is real value and great opportunity for the private sector to take a leadership role in building a strong arts community in Canada

- As outlined in the Business Case, corporate funding of the arts is a worthwhile investment
 - The arts pay for themselves through attendance and tourism (i.e., positive return on investment based on direct and indirect benefits)
 - As well, there are many intangible social and business benefits
- In contrast to other social causes that use financial support to “solve problems”, funding of the arts adds to the richness of the civil society
- The arts “create opportunities” and require much less investment than other “charitable” sectors (in absolute dollar terms) to create benefit and positive impact
- Companies can take a leadership role through funding decisions and drive the future growth of the arts sector in Canada
 - Drive effective private-public partnerships
 - Treat arts funding as a strategic investment (i.e., a business decision made by senior management as opposed to a philanthropic or donation decision)

Public-private partnership programs

- artsVest is a matching incentive program run by Business for the Arts designed to stimulate business investment in the arts and activate municipal cultural plans;
- Business for the Arts brings matching challenge funds to communities who have demonstrated a commitment to fostering arts and culture by way of a municipal cultural plan.
- The program helps arts and business communities develop new and mutually beneficial partnerships by providing sponsorship training to arts organizations
- Businesses are attracted by the matching incentives which double the impact of their investment in the arts
- Other programs include: Toronto Arts Council Foundation, P3 (organized by Ottawa city council)

Results of the artsVest program

- In 2003, BftA ran its first pilot artsVest program in Oakville, Ontario
- In 2005, the artsVest program was expanded to reach eleven communities over a three year period
- Currently, the artsVest program is being rolled out in fifteen communities over the next four years
- As a result of the program to date:
 - Businesses contributed \$925K, which combined with \$535K in matching funds gave the arts \$1.46M
 - 132 arts and cultural organizations joined with 369 business, 222 which were partnering with the arts for the first time

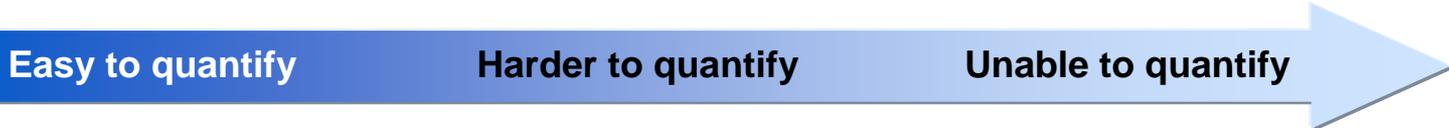
	Principles	Rationale
Level of funding	<ul style="list-style-type: none"> • Focus on a few organizations which have a resonance with your business, instead of casting a wide net, and invest substantially over a number of years. • The average Canadian company commits 1% of pre-tax profits to philanthropy 	<ul style="list-style-type: none"> • Have greater impact with a targeted group of organizations which have common elements with business strategy • Align with corporate social responsibility objectives
Type of commitment	<ul style="list-style-type: none"> • Contribute business expertise, in addition to financial support • Make a long-term commitment (minimum three years) rather than a one-time donation 	<ul style="list-style-type: none"> • Help arts organizations think more strategically • Build a relationship with the organization to maximize benefits
Focus of investment	<ul style="list-style-type: none"> • Ensure values and focus of arts organization complement those of the business • Support programs that align with interests of constituents (e.g., customers, employees) 	<ul style="list-style-type: none"> • Maintain reputation and avoid brand dilution • Provide opportunities for personal involvement (e.g., volunteering, attending events)

BftA business members

- BftA has over 50 active corporate members (e.g., BMO, TELUS, Ernst & Young, Deloitte, Raymond James, Onex Corporation, etc.)
- Members benefit greatly from their involvement in BftA including:
 - Advice on arts partnerships and investment and community involvement Arts-related market research including industry benchmarks
 - Member events, including seminars and conferences
- In return, members pay an annual fee to cover costs of BftA

Arts organizations

- BftA has direct relationships with performing arts and visual arts organizations that range in size and scope, located across Canada
- BftA collects and analyzes financial information of arts organizations through its annual survey, and reports the findings to its business and arts members
- In addition, it promotes education and recognition of organizations through the Canadian Arts Summit and other events



Type of benefit	Direct	Indirect	Induced	Intangible
Description	<ul style="list-style-type: none"> Financial benefits generated by the attraction/event itself 	<ul style="list-style-type: none"> Incremental economic activity in the region due to tourism 	<ul style="list-style-type: none"> Regional revitalization 	<ul style="list-style-type: none"> Qualitative benefits
Examples	<ul style="list-style-type: none"> Admission/tickets Other revenue generated by arts organization Tax revenues 	<ul style="list-style-type: none"> Increase in tourist spend (e.g., restaurants, hotels, services) as a result of the attraction 	<ul style="list-style-type: none"> Incremental spend in region due to direct arts spending (i.e., ripple effect of direct benefits) 	<ul style="list-style-type: none"> For government: social capital, education, reputation, multicultural For organizations: attracts talent, CSR, marketing, regional development

Direct benefits generated by arts organizations in Canada amount to \$1.9 billion

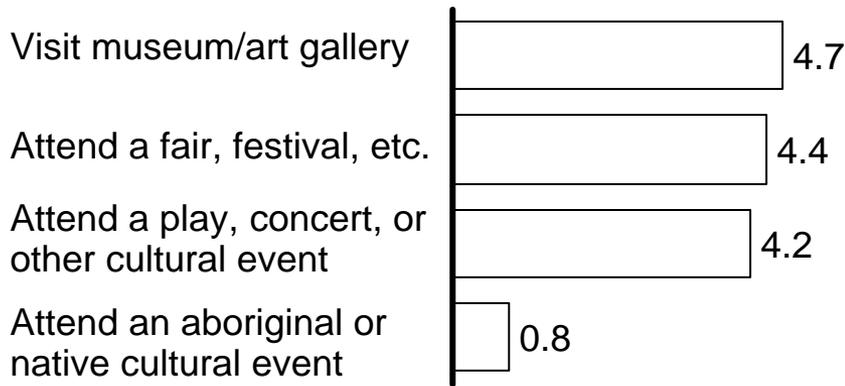
	Average spend per capita*		Canadian population, 2008		Total spend
Spend on live performing arts	\$39.25	⊗	33.8 million	⊖	\$1,325 million
Admissions to museums, galleries, etc.	\$16.68	⊗	33.8 million	⊖	\$563 million
				Total:	\$1,888 million

* Based on StatsCan household spending survey administered in 2005 of 15,000 respondents; assumed constant
 Sources: "Consumer Spending on Culture in Canada, the Provinces and 15 Metropolitan Areas in 2005", Hill Strategies Research Inc.; Statistics Canada, 2008; team analysis

As a conservative estimate, \$0.7 billion of tourism spend in Canada can be considered an indirect benefit of arts programs

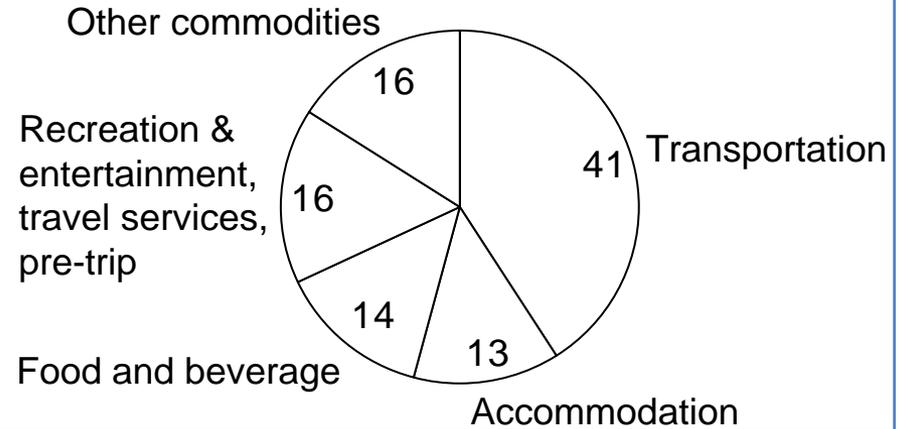
Participation in arts/cultural events, 2004

Percent of tourists who attend*



Total domestic tourism spend in Canada, 2008

100% = \$59.1 billion



% of tourism spend attributed to the arts

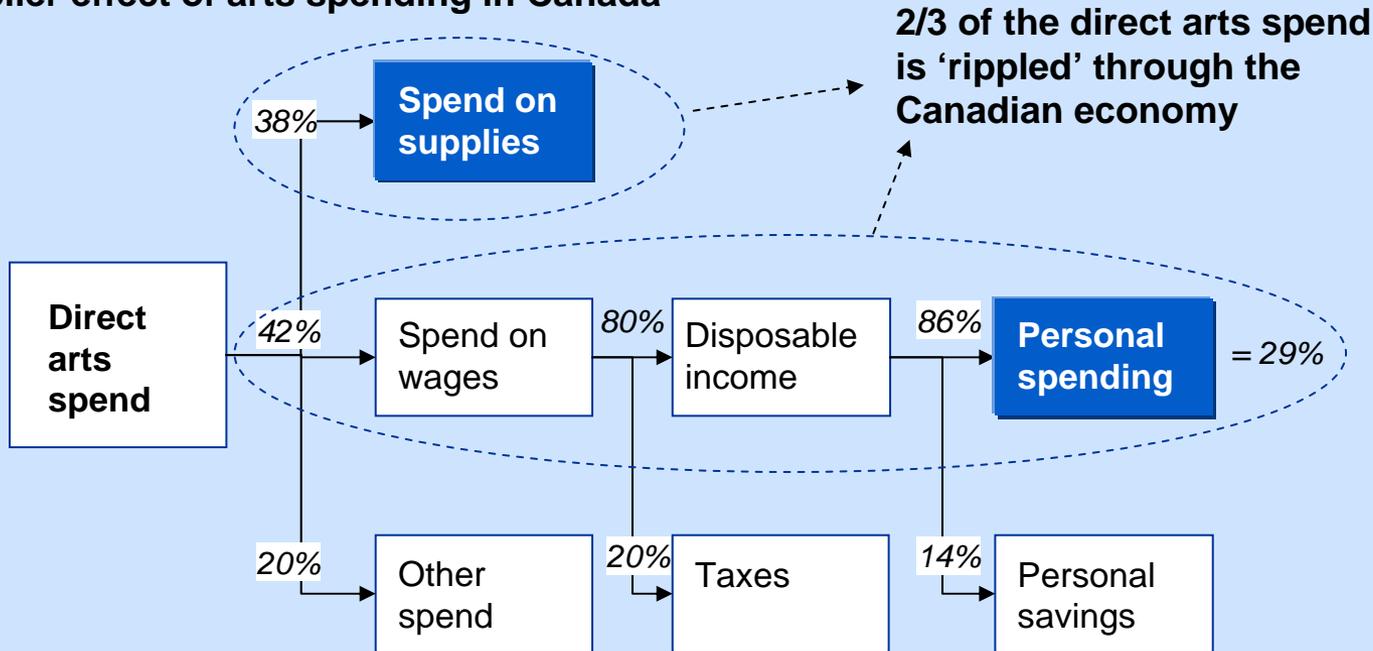
	0.5%	1.25%**	2.5%
Estimated arts-related tourism spend (\$ Million)	295.5	738.8	1,477.5

* Visitors may attend multiple events during their trip, based on domestic travel within Canada

** Underlying assumption that approx. 25% of those tourists who attended an arts attraction traveled solely for the event

Induced benefits are estimated to be \$7.2 billion based on the 'multiplier effect' of arts-related spending

Multiplier effect of arts spending in Canada



Assumptions

- 38% of firms' spend is on supplies
- 42% of firms' spend is on wages
- 80% of wages are disposable income
- 86% of disposable income is spent

Rationale

- Arts-related revenue causes incremental economic activity amounting to 2/3 of the original benefit
- This sparks a 'ripple effect' in the economy – total induced benefit multiplies to 2/3 of the 2/3 of the 2/3, etc.

Induced spend calculation

$$\left(\frac{1}{1 - 0.38 - 0.29} \right) - 1 \times \text{direct spend}$$

$$= 2.0 \times (\$1.0 + \$1.9 + \$0.7)$$

$$= \$7.2 \text{ billion}$$