



department for  
culture, media  
and sport



# The feasibility of a live music economic impact study

Frontier Economics

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improving  
the quality  
of life for all

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Culture, Media and Sport

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## Chapter 1: Introduction and definitions

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- In June 2006, DCMS published advice about how councils can help live events prosper in their local areas. Feargal Sharkey, Chairman of the Live Music Forum, remarked that *“Live music is vitally important both culturally and economically. It’s obvious that people love going to live gigs. But it’s sometimes less obvious how much a local community can gain financially from a live venue.”*
- Frontier were commissioned by DCMS to undertake a feasibility study that would provide the basis for analysing the impact of live music on the local community. Frontier were asked to undertake two main tasks:
  1. Develop a framework for thinking about the costs and benefits of live music
  2. Provide guidance about how to implement the framework, particularly data required and risks associated with a full study.
- This report contains the feasibility study. The remainder of the report is structured as follows:
  - Options for a full study – advantages and disadvantages of different approaches and minimising the risks inherent in such a study
  - Cost benefit framework – theoretical and practical development of the framework that can be used as the basis for a study
  - Summary – summary of options and the framework
  - Bibliography – long list of references useful for future work
  - Annexes – overview of an economic approach to the framework and a quick overview of best practice in the use of multipliers in cost benefit analysis.

## Defining live music at small and medium sized venues

- Regulated entertainment”, which includes live music performances, is covered by the Licensing Act 2003, and is defined as any entertainment which is provided:
  - for the purpose of entertaining an audience; and
  - for the public or exclusively for the members of a club and their guests; or
  - for consideration and with view to a profit.
- The provision of “regulated entertainment” or entertainment facilities requires a license to be obtained from the local authority.
- This study focuses on small and medium size venues. These are defined to include:<sup>1</sup>
  - public houses;
  - hotels & inns;
  - small clubs;
  - student unions;
  - restaurants & cafes;
  - members clubs & associations; and
  - church & community halls.
- These are venues whose main purpose is *not* the staging of live music.

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<sup>1</sup> MORI survey for DCMS – “A survey of live music staged in England & Wales 2003/4”

<http://www.culture.gov.uk/NR/rdonlyres/85EDED0B-A8E3-4674-9C99-62C1CC97AFFC/0/livemusicsurvey.pdf>

**The feasibility of a live music economic impact study**

- For the purposes of this study we will consider the economic impact of live music performances which are held in the above types of venue.

## Chapter 2: Options for a full study

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### The potential risks of a full study

- There are several risks inherent in such a study. They include:
  - insufficient data exists to adequately identify the additionality (i.e. what is the additional impact of putting on a live music performance for a venue) of particular venues and performances;
  - the data available is inaccurate;
  - the data is biased because too few venues or local authorities respond to survey questionnaires / interview requests;
  - more quantitative data may be available for the costs than the benefits or vice versa; and
  - some of the costs and benefits which exist in theory may in fact be of minor significance; and hence the costs of measurement may outweigh the benefits of the extra information.
- All of these can be overcome in practice – however, it does require diligence on the part of the researcher. In particular, it is likely to require drawing on a wide range of qualitative and quantitative data to provide a well-rounded, robust view of the impact.
- It is possible to overcome these risks by using:
  - sensitivity analysis (i.e. examining alternative scenarios, especially for key assumptions) to determine the impact of a range of values on overall costs and benefits;
  - qualitative evidence where numbers are not available;
  - drawing on a wide range of sources of data – this is illustrated in detail later.

## The single most important element in overcoming risks is being clear about the objectives

Different objectives lead to different types of studies - the venues covered and questions asked will change depending on the objectives.

For example, if the objective of the study is to:

- **Understand successful live music venues in order to be able to transmit best practice to other areas of the country and other types of venues:** then the survey or case studies will focus on successful venues (e.g. venues in Camden, central Manchester, relevant areas of Glasgow etc) and will ask specific questions about factors that led to their success.
- **Understand barriers to live music in areas where it is limited:** then the survey or case studies will focus on venues in areas with limited live music (e.g. rural market towns, suburban areas of Newcastle, Nottingham) and will ask specific questions about barriers to putting on music performances.
- **Promote live music in particularly disadvantaged areas:** then the survey or case studies will focus on venues in low income areas (e.g. east London, central Wales, North-East England) and will ask questions about the type of demand in those areas, disposable income of those in the areas.
- There are clearly many other potential objectives.

It is not possible to meet all of these (and other potential) objectives within one study. That is why it is important to be clear about the objectives in order to minimise the risks and ensure the findings are useful.

Once the objectives are clear it is possible to design a concrete approach to the study.

The rest of this report sets out options and generic issues that will arise regardless of objectives.

Two approaches have been used successfully for these types of studies. The first option is to undertake case studies...

**Two approaches have been used successfully for these studies. The first option is to undertake case studies. Case studies would consist of:**

- face-to-face meetings with a small, selected sample of venue operators (in practice, probably 2-3 meetings over 2-3 month time period)
- the type of venue chosen and specific questions would depend on the objectives (see page 9)
- Audiences for these venues could also be surveyed using either:
  - Written surveys handed out by the venue operator
  - Short face-to-face interviews with selected audience members arriving or leaving an event
- The main advantages and disadvantages of this approach (compared to the survey approach discussed on the next page) are summarised below.

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>• bespoke: interviewer can adapt questions and approach depending on specific answers</li> <li>• more qualitative evidence: allows collection of greater and richer set of qualitative evidence</li> <li>• builds relationship: results in strong rapport between venue and DCMS that creates opportunities for future collaboration, audience surveys etc.</li> <li>• widely used successfully across government</li> </ul>	<ul style="list-style-type: none"> <li>• statistical significance: small sample means it is not possible to produce statistically tested results</li> <li>• choice of venues critical: results do depend on building sufficient rapport with venue owners/managers that they are willing to spend reasonable amount of their time talking to you.</li> <li>• resource intensive: many meetings, interviews (especially if also interview audience) requires a lot of time from those doing the work</li> </ul>

## ...the second option is a survey

### Experience elsewhere suggests that a successful survey would be:

- Based on telephone calls, using a pre-determined script with questions – postal questionnaires are possible but have very low response rates
- Would focus calls to pick out venues of interest depending on objectives (e.g. those in particular regions of the country or in towns of particular size etc)
- Based on previous surveys that we have commissioned, we estimate that a total of about 200-300 telephone interviews, lasting 20 minutes each, would be required to cover different types of venue and regions (although the more venue types required the larger the necessary sample)

The main advantages and disadvantages of this approach (compared to the case study approach discussed on the previous page) are summarised below.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• statistical analysis: provided a large enough sample is obtained it is possible to do some formal testing of particular hypotheses (e.g. whether particular barriers prevent venues hosting live music)</li> <li>• less resource intensive: once questionnaire is developed a telephone survey company can quickly put the database together</li> <li>• data base: results in a more formal, quantitative database that could be updated periodically to investigate trends</li> </ul>	<ul style="list-style-type: none"> <li>• prescriptive: need to fix questionnaire beforehand – very limited opportunity for follow-up based on answers</li> <li>• scope: surveys often have to examine a narrow scope of issues because answers have to be relatively easy to record (ie can't have long descriptive answers)</li> <li>• coverage: would need two separate surveys to cover both audience and venue owners/managers which increases the cost</li> </ul>

## Generalising results is possible under both options but would be done differently

A key to the success of any work will be the ability to generalise the results to the industry more widely. Generalising the results is possible under both the case study and survey approaches.

- **Case studies:** the case studies will lead to an idea about the impact of live music on, for example, 5 to 10 venues, depending on the number of case studies undertaken.
  - Generalising these results is based on developing the case studies into “representative types”: using the case study of a specific venue to draw conclusions about venues with similar characteristics (e.g. drawing tentative conclusions about all venues in market towns in the South-East based on a case study of one particular venue)
  - Clearly using these “representative types” it is not possible to say the precise impact on all similar venues but it does provide a robust guide that allows more general conclusions to be drawn.
  
- **Surveys:** if the survey provides a suitable range of venue-types then the results can be generalised in a formal quantitative manner by aggregating upwards based on the actual number of venues in the country or area. In practice, generalising survey evidence often also uses “representative types” (as described under “Case studies” above) to supplement these formal survey results.

## A number of stakeholders would be interested in a full impact assessment.

- There are several potential stakeholders, other than the Department of Culture, Media and Sport, in a study which sought to examine the economic impact of live music.
  
- These include:
  - The Arts Council England
  - National Music Council
  - The Musician's Union
  - British Arts Festivals Association
  - Concert Promoters Association
  - National Arenas Association
  
- These organisations could potentially be important sources of information.

## Chapter 3: The cost-benefit framework

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Regardless of the exact approach that is adopted, a clear framework must be followed.

Regardless of which option is chosen, in order for the study to be accepted as robust and meeting best practice it needs to be implemented within a clear economic framework.

There are two elements to such a framework:

- **Theoretical:** the theory of what qualifies as a cost and a benefit. This involves particularly being clear about:
  - Counterfactual: what happens if live music is not shown at the venue (i.e. what are the *additional* impacts of live music)
  - Social versus private benefits: some benefits accrue to the local community as a whole (e.g. more visitors in the area), others accrue only to each specific audience member (e.g. enjoyment of the music).
- **Practical:** the implementation of the framework, which requires clear ideas about:
  - Exactly what are the costs and benefits
  - What data can be collected from public sources to help the analysis from the case studies or surveys

The rest of this section outlines the approach to each of these issues.

## The cost-benefit framework – theoretical issues

### Using cost-benefit analysis to measure the economic impact of a live music venue

- Before it is possible to examine the data requirements and specific approach, we must first define how we will measure “economic impact”. This requires a clear framework within which to consider the costs and benefits.
- The benefits should be:
  - **net:** the benefits should be net of all costs of the activity; and
  - **additional:** the benefits measured must be unique and directly related to the activity and truly new and additional.
- In addition, it is important to take into account:
  - **the private and public impact:** we must look at the costs and benefits which accrue to parties directly involved in the transaction (e.g. the audience or venues) and those indirectly affected by it (e.g. wider community) – Annexe 1 provides the full economic description of these issues; and
  - **the impact on other markets:** we should look at the impact of the activity on other markets such as those for inputs used by the venue, complementary goods and the knock-on impacts in other markets (e.g. restaurants, taxis).
- The result is a measure of the net additional benefits from live music that take into account all possible impacts. These issues are discussed in more detail in the following pages.

## All costs and benefits measured need to be genuinely additional

- It is very important when measuring the economic impact of an activity that only the costs and benefits that are genuinely new or additional are incorporated.
- To do so, the counterfactual must be established. The counterfactual is a description of the economy without the activity i.e. what would exist if the activity in question had never taken place.
- The counterfactual benefits should be taken away from the measurement of net benefits to give an estimate of the additional benefits.
- There are a number of reasons why benefits may not be additional. For example, there may be:
  - **substitution effects:** if the activity replaces another something else that would also have brought benefits, those benefits should be netted off the benefits produced by the new activity. For example, someone choosing to attend a live music event may be doing that instead of going to a movie in the same local area. Under these specific circumstances, the true net benefit is only the additional impact of the live music event, not its total impact..
  - **displacement effects:** if the activity has simply moved location, then the benefits and costs associated with it will not be genuinely additional. For example, someone chooses to attend a live music event in a pub in one location instead of a similar event in a pub in another location the net effect is zero (provided both pubs fall within the community being considered).
  - **leakages:** these are benefits or costs which occur outside the area that we are interested in. For example, if some of the audience at a venue are foreign visitors, the benefits they receive from attending are leakages, if we consider the relevant markets to be defined in aggregate by national borders. This means these benefits should not be included, or should be noted as a distinct item in the results of the analysis.

## The impact on other markets should also be assessed

- Finally, a complete cost-benefit analysis should also measure the impact of the activity on markets for other goods, both directly and indirectly.
- **Direct impacts** are those felt in markets directly related to the market for the activity concerned because the products sold are complements or substitutes.
- An example of a supply chain effect is that the opening of a live music venue could increase the demand for the performers of live music in an area. This could be an incremental benefit if the performers were previously unemployed.
- Markets for complementary products – demand for which is influenced by demand for live music – may be affected, for instance, a live music performance may attract a large audience which increases demand at local restaurants.
- Markets for substitute products are also likely to be affected, for example, people may choose to attend a particular live music venue over another live music venue or alternative entertainment, such as a theatre performance.
- These markets are described in more detail on the following pages.
- **Indirect impacts** are also known as multiplier effects, and flow from the further actions of those affected by an activity.
- For example, if a venue puts on an extra music performance and hires five extra workers, their earnings will lead to increased expenditure which in turn will provide sales opportunities for other businesses and potentially create more jobs leading to further income generation, more sales and so on.
- The multiplier summarises this income-expenditure chain reaction by stating that for every pound that is spent, a further multiple of this amount provides additional knock-on benefits throughout the wider economy.
- Much caution should be used when employing multipliers to measure economic impact. Unless there are identifiable market failures, it is unlikely that there will be significant, truly additional, multiplier effects. Further discussion about the applicability and use of multipliers is included in annexe 2.

## Markets directly affected by a live music performance (1)

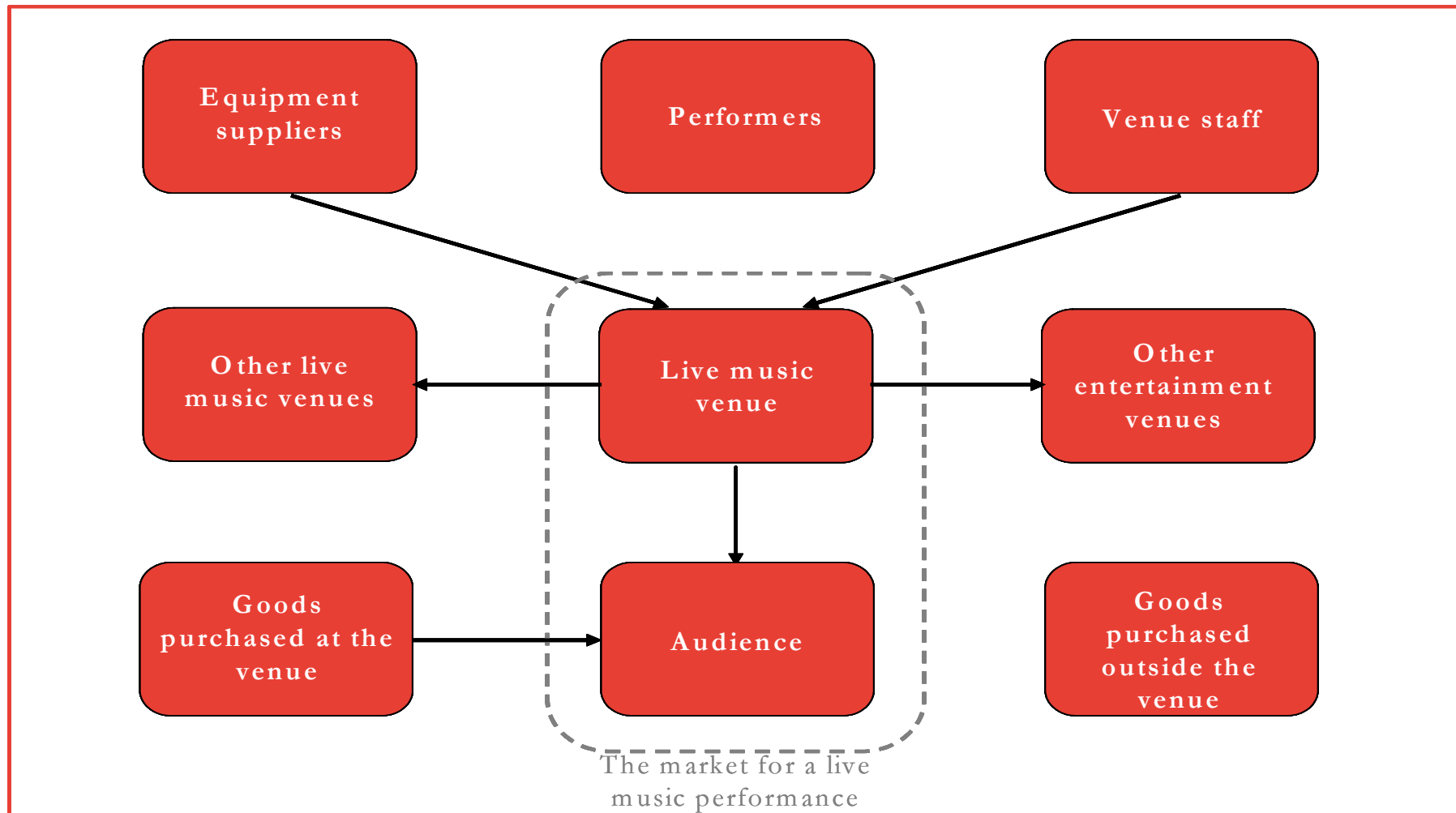
- In order to determine the direct and indirect impacts, it is necessary to be clear about the market that is being analysed. The market for live music performance in small to medium sized venues is primarily a transaction between a venue and an audience.<sup>2</sup>
- Other markets that may be affected by this market include those for:
  - equipment supplies;
  - performers;
  - venue staff;
  - goods (e.g. food, clothes) provided at the venue;
  - goods (e.g. food, clothes) outside the venue; and
  - alternative entertainment venues.
- For example, if a venue wishes to hold a live music event, it must hire equipment and performers and pay for staff at the venue to carry out a range of activities (e.g. issue tickets, work on the door).
- The audience attending may also purchase goods at the venue such as drinks or promotional material and they may purchase goods outside the venue, such as meals at local restaurants.
- The audience may have also chosen to attend the event over several possible alternatives, such as going to a club or to the theatre.

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<sup>2</sup> An alternative would be to define the market as a transaction between an artist and an audience. However, this is more applicable to large venues with well-known artists than to a study that considers small and medium sized venues where the artist is less likely to be well known. As long as a consistent approach is adopted either definition could be used

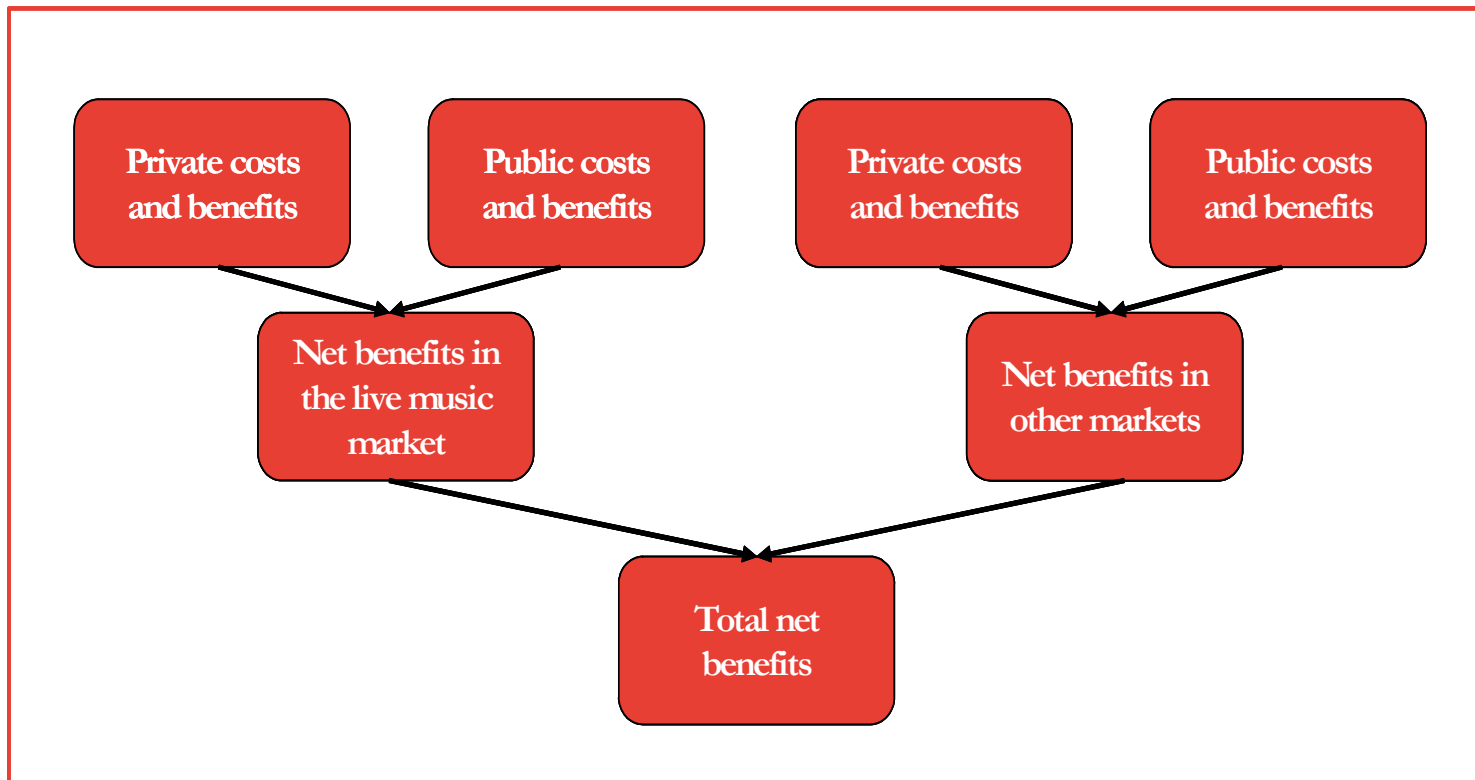
- The change in demand in all these different markets is as a direct result of the music performance and these effects must be considered when measuring the economic impact of an event.
- This chain of impact is shown in the diagram on the following page.

## Markets directly affected by a live music performance (2)



## Measuring the benefits

- Based on the framework described above, calculating the total net benefits of live music performance can be broken down into:
  - net benefits in the market for live music;
  - net benefits in other markets; and
  - the private and social costs and benefits in each of those markets.
- This is represented in the figure below.



## The cost-benefit framework – practical issues

### What are the costs and benefits?

- In this section, we examine:
  - the actual costs and benefits that may occur as a result of a live music performance; and
  - primary (i.e. the collection of new data) and secondary (i.e. the use of existing data) sources that could be used to measure them.
- Even if case studies or surveys are used to collect some of the evidence directly, it will inevitably have to be supplemented by other secondary data. The tables on the following pages provide ideas about the:
  - Type of data to be collected
  - Source of that data
- Different tables are provided for each of the main categories of cost and benefits:
  - Summary table – overview of all costs and benefits
  - private costs and benefits – for the audience;
  - public costs and benefits – for the rest of the local community;
  - and direct and indirect effects in other markets.
- It important to be aware that the following tables comprise a detailed list of all potential costs and benefits, however, in practice, it may not be feasible to measure all of them.
- In particular, some public and indirect costs and benefits may be difficult to quantify, in these case it would be necessary to use qualitative analysis.

## Costs and benefits associated with a live music performance – a summary

Private benefits	Private costs
<p>Expected and unexpected enjoyment for the audience or profit to the venue</p>	<p>Hiring performers</p> <p>Marketing</p> <p>Ticket printing and distribution</p> <p>Equipment</p> <p>Rent, lighting, electricity, heating</p> <p>Licence</p> <p>Staff</p> <p>Insurance</p>
Public benefits	Public costs
<p>Increases in area popularity</p> <p>Encouragement of further musical activity</p> <p>Licensing fee revenue spent by the local council</p> <p>Further live music events</p>	<p>Noise pollution</p> <p>Litter</p> <p>Traffic congestion</p> <p>Noise regulation enforcement</p> <p>Policing</p>
<p><b>Further costs and benefits</b></p>	
<p>First round effects in other markets</p> <p>Complementary expenditure</p> <p>Multiplier (or second round) effects</p>	

## Private benefits from a live music performance

Private benefits	Primary data sources	Secondary data sources
<p><b>Audience's expected enjoyment (+ additional unexpected enjoyment)</b></p> <p><i>Live music is an "experience good". This means that a consumer cannot know the enjoyment they will gain from this good until after it has been consumed. Consequently, demand will be dependent on the consumer's expected utility, which may differ from their actual utility. Therefore, for measurement purposes it is important to measure the audience's benefit after they have experienced a live music performance.</i></p>	<p><b>Contingent valuation survey and/or actual spend at events</b></p> <p><i>Audience members can be asked the maximum amount they would have been prepared to pay to attend a live music performance to assess the value they place on it.</i></p> <p><i>(Source: survey of audience members)</i></p> <p><b>Value of time spent at and travelling to a performance</b></p> <p><i>The time that an individual spends at a performance and travelling to the venue in order to attend a live music performance, valued by the earnings foregone during this period, is a way of measuring the value the individual places on that activity.</i></p> <p><i>(Source: survey of audience members; average earnings per week by local authority – ONS, Regional Trends)</i></p>	<p>There are no readily available secondary sources. However, the second approach outlined under "Primary data sources" makes use of existing data.</p>
<p><b>OR: Profits, calculated as (see Annexe 1 for how this is related to profits)</b></p> <p><b>Revenue to the venue</b></p> <p><i>This is the earnings of the venue related to the live music performance before costs have been netted off, or equivalently the total outlay by the audience members to attend the performance.</i></p> <p><b>+ Consumer surplus</b></p> <p><i>Consumer surplus is the additional benefit that consumers gain from consumption of a good which has not been captured by the provider of the good, through the price charged.</i></p>	<p><b>Data from the venue</b></p> <p><i>Data on revenues could be collected from the individual venues themselves.</i></p> <p><i>(Source: Venues accounting records)</i></p> <p><b>= Total audience enjoyment – Revenue to the venue</b></p>	

## Private costs from a live music performance

Private costs	Primary data sources	Secondary data sources
<p><b>Hiring performer (s)</b> <i>The performers may require payment by the venue.</i></p>	<p><b>Survey of musicians</b> <i>Ask performers themselves what they get paid to perform live music.</i> <i>(Source: venues' own performer contacts)</i></p> <p><b>Estimate from musicians' representative body</b> <i>Ask the musicians' union for an estimate of the current average wage rate for live performers.</i> <i>(Source: Musician's Union)</i></p> <p><b>Estimates from venues</b> <i>Ask the venue for estimates of what they pay live performers.</i> <i>(Source: venues' accounting records)</i></p>	<p><b>Musicians' union survey of earnings</b> <i>The musicians' union performed a survey of their members earnings which may provide some useful information.</i> <i>(Source: "Nice work if you can get it!" (1999))</i></p>
<p><b>Marketing</b> <i>A live music performance will need to be advertised and promoted in order to encourage audience attendance.</i></p> <p><b>Ticket printing and distribution</b> <i>Tickets may be sold before the event, perhaps via the internet, telephone or by post. Even if a performance is free, tickets may be needed to monitor audience numbers.</i></p> <p><b>Equipment</b> <i>Although the performers might have a lot of their own equipment, a venue may provide some sound equipment.</i></p> <p><b>Rent/Lighting/Electricity/Heating</b> <i>A venue may require additional utility services due to the additional people or increased opening hours.</i></p> <p><b>Licence</b> <i>Under the Licensing Act 2003, in order to host "regulated entertainment" a venue must purchase a premises licence.</i></p> <p><b>Staff</b> <i>Additional staff may be required when a venue hosts a live music performance – for example to sell or check tickets, operate a cloakroom or provide security.</i></p> <p><b>Insurance</b> <i>A venue hosting any form of entertainment for the public will have to be adequately insured for all appropriate risks.</i></p>	<p><b>Estimates from local venues</b> <i>Ask the venue for an estimate of the costs they incur in purchasing these inputs. This could be used to develop cost estimates for venues of different sizes.</i> <i>(Source: venues' accounting records)</i></p>	<p><b>Generic cost estimates from potential suppliers</b> <i>Standard prices from a sample of suppliers located near to the venue could be collected; costs could be estimated for a venue of average size.</i> <i>(Source: venues' potential input suppliers)</i></p>

## Public benefits from a live music performance

Public benefits	Primary data sources	Secondary data sources
<p><b>Increase the popularity of the area</b></p> <p><i>Live music could potentially make the local area more popular, encouraging more people to move there or visit.</i></p>	<p><b>Qualitative surveying</b></p> <p><i>Local people can be asked what benefits they see, given an increase in live music in the area.</i></p> <p><i>(Source: survey of local residents)</i></p>	<p><b>House prices or similar data could be used to reflect increased popularity but would have to be linked directly to the effect of the venue.</b></p> <p><i>(Source: Land Registry)</i></p>
<p><b>Encourage further musical activity in the area</b></p> <p><i>Increased music performances may encourage local people to get more involved in music themselves, perhaps by learning to play an instrument or by setting up a band.</i></p>	<p><b>Survey local people (e.g. school children) about involvement in music</b></p> <p><i>Local people can be asked about their involvement in music before and after an increase in live music performances and the additional benefits that they receive from it.</i></p> <p><i>(Source: survey of local residents)</i></p> <p><b>Numbers of performers approaching venues</b></p> <p><i>Venues can be interviewed to find out whether more performers have approached them about potentially performing at their venue. This can act as an indicator of the encouragement of grass roots talent.</i></p> <p><i>(Source: interviews with venues)</i></p>	<p><b>Sales of musical instruments</b></p> <p><i>Statistics on the sales of musical instruments in response to increased live music performances is an alternative way of capturing increased interest in music. This data could be gathered from local music shops found in the Yellow Pages and the value could be estimated using the cost of the instruments.</i></p> <p><i>(Source: local music shops)</i></p>
<p><b>Licensing fee revenue spent by the council</b></p> <p><i>Public performances of live music require a licence from the local council. The revenues earned by the council from the sale of licences could potentially benefit the wider community.</i></p>	<p><b>Licence fee prices</b></p> <p><i>A study that looked at the impact of a single venue could estimate the increase in council revenue at the price of an entertainment licence. Entertainment licence fees are determined by the rateable value of the premises.</i></p> <p><i>(Source: DCMS, Valuation Office Agency)</i></p>	
<p><b>Further live music events</b></p> <p><i>Successful live music performances are likely to encourage the staging of additional live music performances, which will have all of the same benefits for society as described above.</i></p>		<p><b>Value to society of further live music events (increased attendance x benefits to individuals and society)</b></p> <p><i>All of the benefits described above will be generated by any further live music events that occur due to a live music performance.</i></p> <p><i>(Source: other local venues)</i></p>

## Public costs from a live music performance

Public costs	Primary data sources	Secondary data sources
<p><b>Noise pollution</b></p> <p><i>Live music will potentially generate noise which may have a negative impact on local residents.</i></p>	<p><b>Contingent valuation survey</b></p> <p><i>Ask local residents who live in the vicinity of a live music venue how much they would be prepared to pay to eliminate any noise pollution that they experience.</i></p> <p><i>(Source: survey of local residents)</i></p>	<p><b>Number of complaints made to council</b></p> <p><i>The local council should maintain statistics on the number of complaints that they receive about noise pollution caused by live music venues. This cost could be measured by estimating the fall in productivity of workers disturbed by the noise or by using EU compensation levels for noise disturbance.</i></p> <p><i>(Source: local councils / statistics on noise complaints and their source – Defra; EU ‘valuation of noise – position paper’, Dec 2003)</i></p>
<p><b>Litter</b></p> <p><i>An increased number of visitors to an area is highly likely to result in increased quantities of rubbish being produced.</i></p>	<p><b>Contingent valuation survey</b></p> <p><i>Ask local residents who live in the vicinity of a live music venue how much they would be prepared to pay to eliminate any of these effects that they experience.</i></p> <p><i>(Source: survey of local residents)</i></p>	<p><b>Official statistics</b></p> <p><i>Local councils have statistics on congestion in their district. Traffic congestion can be valued by the time lost multiplied by the wage rate. Congestion valuation is also performed by the Department of Transport in its investigation into road pricing. We may then be able to impute any increase due to a live music performance.</i></p> <p><i>(Source: Local council; Department of Transport <a href="http://www.dft.gov.uk/stellent/groups/dft_roads/documents/divisionhomepage/029709.hcsp">http://www.dft.gov.uk/stellent/groups/dft_roads/documents/divisionhomepage/029709.hcsp</a> )</i></p> <p><i>Crime rates are available from Neighbourhood statistics at below local authority level. These can be valued using Home Office crime valuations. We may then be able to impute any change due to a live music performance.</i></p> <p><i>(Source: ONS <a href="http://neighbourhood.statistics.gov.uk/">http://neighbourhood.statistics.gov.uk/</a> ; Home Office crime valuations, see <a href="http://www.homeoffice.gov.uk/rds/pdfs05/rdsolr3005.pdf">http://www.homeoffice.gov.uk/rds/pdfs05/rdsolr3005.pdf</a> )</i></p>
<p><b>Traffic congestion</b></p> <p><i>If audience members travel to a live music performance by car then traffic congestion is likely to increase.</i></p>	<p><b>Interviews with representatives from the local council</b></p> <p><i>Anecdotally establish the levels of litter in a local authority area, and in particular the area around the venue, and if costs of clearing it up have increased since the introduction of live music. Similarly for congestion and crime levels.</i></p> <p><i>(Source: local council employees)</i></p>	
<p><b>Changes in crime</b></p> <p><i>Crime levels may change (either up or down) as a consequence of live music.</i></p>		
<p><b>Policing</b></p> <p><i>An additional police presence may be required when there is a large number of people in a confined area late at night.</i></p>	<p><b>Interviews with representatives from the local council</b></p> <p><i>Anecdotally establish policing or noise regulation costs due to live music performances in the area.</i></p> <p><i>(Source: local council employees)</i></p>	<p><b>Official statistics</b></p> <p><i>Local councils may have statistics on noise regulation costs and policing costs. We may then be able to impute any change due to a live music performance.</i></p> <p><i>Some policing costs are recorded on the Home Office website</i></p> <p><i>(Source: local council statistics; <a href="http://www.homeoffice.gov.uk">http://www.homeoffice.gov.uk</a>)</i></p>
<p><b>Enforcing noise regulation</b></p> <p><i>Local council staff may be needed to enforce noise regulations at the time of a live music performance.</i></p>		

## Further costs and benefits from a live music performance

Further costs and benefits	Primary data sources	Secondary data sources
<p><b>First round effects in other markets</b></p> <p><i>A variety of inputs are required by a venue hosting a live music performance. If the increased demand for these inputs leads to new supply being offered, this acts as an additional benefit for the economy.</i></p> <p><i>In addition a live music venue can impact on other entertainment venues.</i></p>	<p><b>Information from the venue</b></p> <p><i>The increase in demand from the music venue can be estimated using information from the venue itself. The benefit of this demand can be approximated by the demand increase multiplied by the relevant price.</i></p> <p><i>(Source: venues' accounting records)</i></p> <p>Valuation surveys</p> <p><i>The value of the change in demand for firms can be estimated by surveying the actual firms affected. This could be both suppliers and competitors.</i></p> <p><i>(Source: venues' suppliers' accounting records)</i></p>	<p>Given information about the requirements of a typical venue, local wage data and employment levels can be used</p> <p><i>(Source: ONS)</i></p> <p>Given the size of the audience expenditure on food etc can be estimated – primary data is required to understand the extent to which this is additional.</p>
<p><b>Complementary expenditure</b></p> <p><i>The audience of a live music performance may spend money on additional complementary products such as food, transport, branded merchandise etc. These may be sold by the venue or by other firms in the locality.</i></p>	<p><b>Valuation surveys</b></p> <p><i>Similarly to first round effects, the value of the increase in demand to firms can be estimated by surveying the actual firms affected.</i></p> <p><i>(Source: survey of local firms selling complementary goods)</i></p>	
<p><b>Multiplier (or second-round) effects</b></p> <p><i>A live music performance may generate additional revenue which can then act as a further boost to the local economy.</i></p>	<p><b>Valuation surveys</b></p> <p><i>The value of the increase in demand to firms can be estimated by surveying the actual firms affected.</i></p> <p><i>(Source: survey of relevant local firms)</i></p> <p><i>Then some estimate must be made of the proportion of that effect which finally feeds through to the local economy</i></p> <p><i>Multiplier effects must be treated carefully such that only genuine additional spending from overcoming market failures are to be included (see Annexe 2).</i></p>	<p><b>Multiplier estimates</b></p> <p><i>Previous estimates used in other studies of the multiplier effects of similar economic activities could be used.</i></p> <p><i>(Source: e.g. Shellard, D. "The economic impact of UK theatre" (2004))</i></p>

## Summary of potential data sources

The previous tables listed a wide range of data sources. They are summarised below for convenience.

Primary data sources:

- Surveys of audience members, local residents, performers and other suppliers
- Venues' own accounting records
- General survey of potential venue suppliers
- Interviews with venues, local councils and other businesses in the area

Secondary data sources:

- Statistics from musician's union
- ONS publication "Regional Trends" for regional data
- Experian for information on venues, suppliers, performers, music teachers and music shops
- Government and European Commission statistics and reports
- Valuation Office Agency for rateable values
- Specific papers noted in the tables

## From this data it will be possible to address each of the areas of specific interest to DCMS

- Several specific issues are of particular importance to DCMS in formulating its strategy, including:
  - Type of venue being used to stage live music;
  - The extent to which live music is part of a wider entertainment offering;
  - Timing and frequency of live music offerings
  - Reputation of new versus established venues
  - Density of live music provision in a particular area
  - Catchment areas for venues;
  - Quality of transport links to particular areas.
  
- The data sources set out in the previous pages would allow each of these issues to be addressed. The next section discusses the specific process to be used in collecting the information on each of these areas, and also deriving the wider impact assessment.

## Chapter 4: Summary

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### This study describes the practical issues in undertaking a robust analysis of the impact of live music

The study has set out in detail the practical issues involved in an impact study of live music. This includes:

1. Approach to collection of primary data: whether to use case studies or surveys. Each has their merits and has been used successfully for similar studies.
2. Cost benefit framework:
  - Theory: the economic framework that provides the overarching principles for how to carry out the work and analysis robustly – and draw appropriate conclusions.
  - Practice: precise costs and benefits for which information is required – either from primary collection (ie case studies, surveys) or secondary sources, with an indication of potential sources.

The output from such a study is likely to be an estimate of the impact of live music that combines quantitative estimates of the impact on venues profit as well as on wider communities with qualitative statements resulting from the surveys.

Everything contained in this report is based on best practice for such studies. A very large number have been successfully undertaken across government. We are confident that this study could be successfully completed and robust and useful results provided to DCMS provided that:

- Objectives: all stakeholders agree the specific objectives of the study ahead of time (see page 9 for examples)
- Resources: the terms of reference are properly tailored to the objectives and the budget set accordingly.

The final report would provide DCMS with a solid evidence base for the impact of live music. It would also potentially provide valuable contacts to those who are working on the ground to book and provide live music.

## Chapter 5: Bibliography

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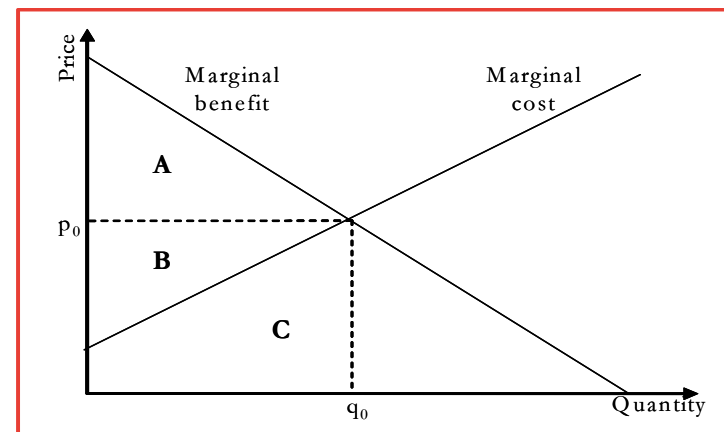
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## Chapter 6: Annexe

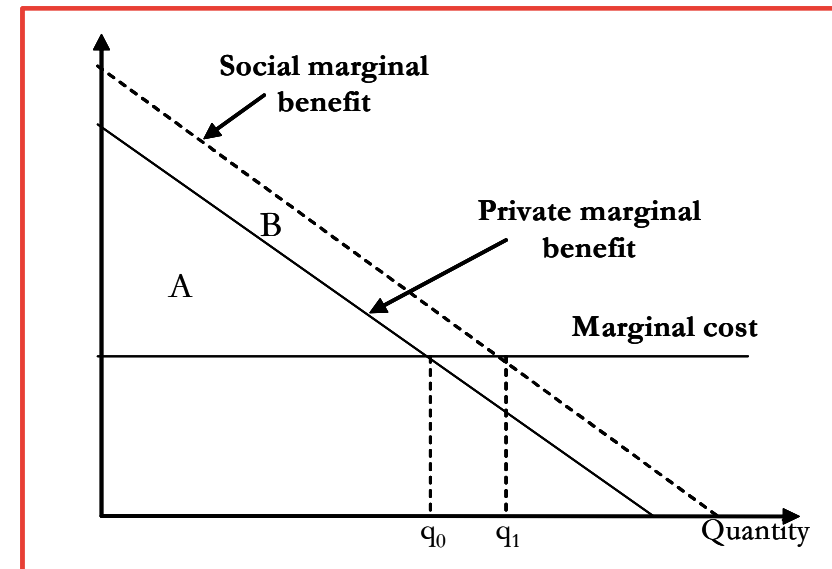
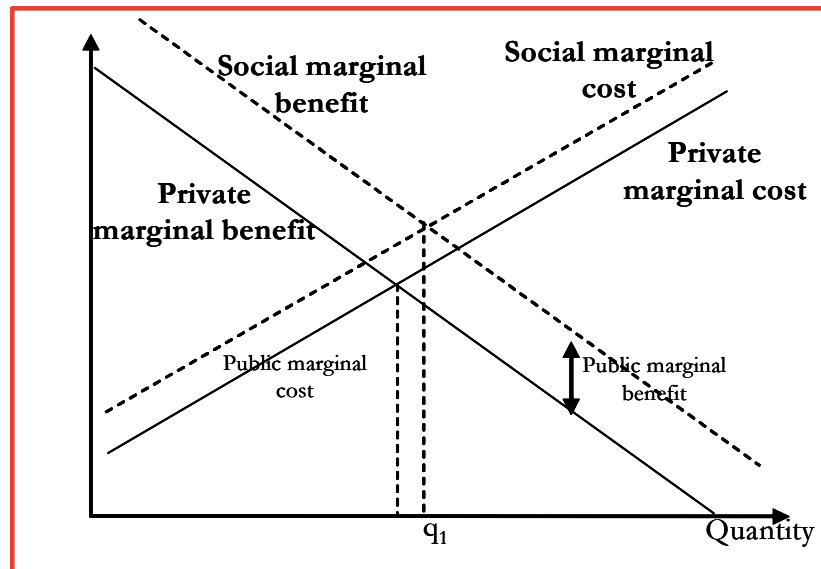
### Annexe 1: Private costs and benefits should be measured net of all costs of the activity

- The economic impact of an activity could be measured in terms of a cost-benefit analysis.
- Both the economic costs and benefits are measured and then weighed up against each other to calculate the net benefits
- If the benefits are greater than the costs, the activity has positive net benefits, whereas if the costs outweigh the benefits, the activity has negative net benefits.
- The figure opposite shows a simple market for a good or service – for example for a performance by a string quartet in a church hall.
- In this situation the total benefits gained by the audience are represented by area A + B + C – the area underneath the marginal benefit curve at  $q_0$ .
- The total costs of the performance represented by area C – the area underneath the marginal cost curve at  $q_0$ .
- This means that the net benefits are positive and equal to  $(A + B + C) - C = A + B$ .
- Of this, area A accrues to the attendees and is known as consumer surplus, and area B represents the profits of the venue (this is also equivalent to the revenue of B+C less the costs of C).



## Annexe 1 (con't.): Public impacts should be considered as well as the private impacts

- Studies of economic impact must account for public costs and benefits that are not felt by either the firm providing the good or the person consuming it.
- These economic costs and benefits should be accounted for when measuring the economic impact of an activity.
- Adding public costs and benefits to private ones gives us a measure of total social costs and benefits, as shown in the top figure.
- Here, the social cost of a live music performance is greater than the private cost, for example, there may be a considerable amount of noise generated which affects the residents of nearby buildings.
- This is an additional cost to those residents, but it is not felt by the provider of the performance or the audience.
- Similarly the social benefits of a performance may be greater than the private benefits, for instance, it may make an area more popular.
- In the bottom figure, the extra public benefits are represented by area B. This means that more people ( $q_1$ ) should attend the performance than if only the private benefits were accounted for ( $q_0$ ).



## Annexe 2: the applicability of multipliers

- Multiplier effects are further effects throughout the local economy which flow from the actions of those immediately affected by an economic activity.
- Multipliers are often used in economic impact studies to measure second round effects of an activity, however they do not always provide a robust method for measuring these indirect impacts.
- For example, if a new music venue places an annual order for ticket printing with a printing firm, the printing firm may employ five extra workers to meet the demand. If those workers receive a wage greater than their previous wage, their extra earnings may lead to increased expenditure elsewhere which in turn can provide sales opportunities for other businesses who may likewise increase the size of their workforce.
- The multiplier summarises this chain reaction by stating that for every pound spent in the economy, a further multiple of it will be spent as a result.
- Potential inaccuracies which can seriously affect multiplier estimates include:
  - **Including non-incremental benefits** of the initial economic activity - Unless markets are currently failing to clear, it is unlikely that a multiplier will be significant. For example, if the labour market is not failing, then workers would have found other work which would also have given them an equivalent income. The additional multiplier effect in this case is zero.
  - **Including leakages** – Multipliers should not include benefits that are felt outside the geographical area of interest, for example, benefits to tourists or other visitors.
  - **Disregarding the potential costs** that second round effects may generate – for example, some activities may encourage the use of cars, in which case the multiplier should take account of the social cost of additional pollution.
  - **Double counting** – subsequent revenue generation must only be counted once, for example if two music venues in the same area are being considered it is important that multiplier effects for each are not simply added together.