

Private Investment in Culture

2007/08

Executive Summary
A snapshot of the findings

“Arts and culture make the UK distinctive. They are a vital aspect of our economy – encouraging tourism, powering the creative industries and inspiring creativity and growth across the board”.



Photographer: Amit Lennon.
Pictured (left to right):
Colin Tweedy, Chief Executive, Arts & Business.
Barbara Follett, Minister of Culture, Creative
Industries and Tourism.
Roy Clare CBE, Chief Executive MLA.

Fundraising in a recession

Arts & Business is an engine for ideas and alliances in cultural sponsorship. We are the only organisation to comprehensively collect data and analyse the trends in private sector investment in the UK cultural sector and we've been doing so for the past 30 years.

As with all economies, the cultural economy is subject to its own peaks, troughs and cycles. As an advocate for the cultural sector's place in commerce, we can say with certainty that having access to this information enables the cultural sector to make a stronger case for investment from the public and private sector.

The economic boom years have led to record levels of private investment in 2007/08. The total sum now stands at £686 million, a figure that reflects the confidence of the private sector in the value of culture and the increasing capacity of the cultural sector to achieve support. Culture is now more deeply embedded in society and business.

As we are all aware, circumstances changed in the latter half of 2008, as we witnessed unprecedented global economic turmoil. The cultural sector is not immune from global market forces and, as the boom years draw to a close, we all need to prepare to face the challenges of a recession that will affect public, private and self-generated income.

Private Investment in Culture 2007/08

It goes without saying that the coming years are cause for concern for the cultural community. Our research suggests that 2010 will pose the greatest challenge for the sector as businesses are least confident about their power to invest during this financial year.

However, we believe that recession increases rather than diminishes the case for investment.

Arts & Business is providing the cultural sector with the skills and evidence to make a stronger and more meaningful case to business - whether based on brand awareness, employee development, market differentiation or educational improvement. Moreover, as the role of individuals in the funding mix becomes increasingly important, Arts & Business has developed new programmes and services to enable cultural organisations to tap into this revenue source.

Arts and culture make the UK distinctive. They are a vital aspect of our economy – encouraging tourism, powering the creative industries and inspiring creativity and growth across the board. As other sectors of the economy retract, the cultural and creative sectors must find ways not only to weather the economic storm but also to build their influence. We hope this report will be a valuable contribution to this work.



Colin Tweedy
Chief Executive

The value of culture

The creative economy is of vital importance to the prosperity and competitiveness of the UK economy, especially in a time of recession.

The UK creative economy is relatively well developed and prosperous in comparison to other European countries, but there is still more value to be generated from the sector. Between 1997 and 2006, the creative industries have grown by 4% per annum, compared to the economy as a whole which has grown, on average, by 3%.¹

Cultural organisations are a key part of this creative economy and in 2006 added around £7.7 billion to the UK economy (gross value added) in their own right, which is a massive 58% increase since 1997.² The financial contribution of culture and the creative industries firmly positions the sector as one of the most important in the UK.

¹ Quoted by the Department for Culture, Media & Sport in the Creative Industries Economic Estimates – Statistical Bulletin, January 2009

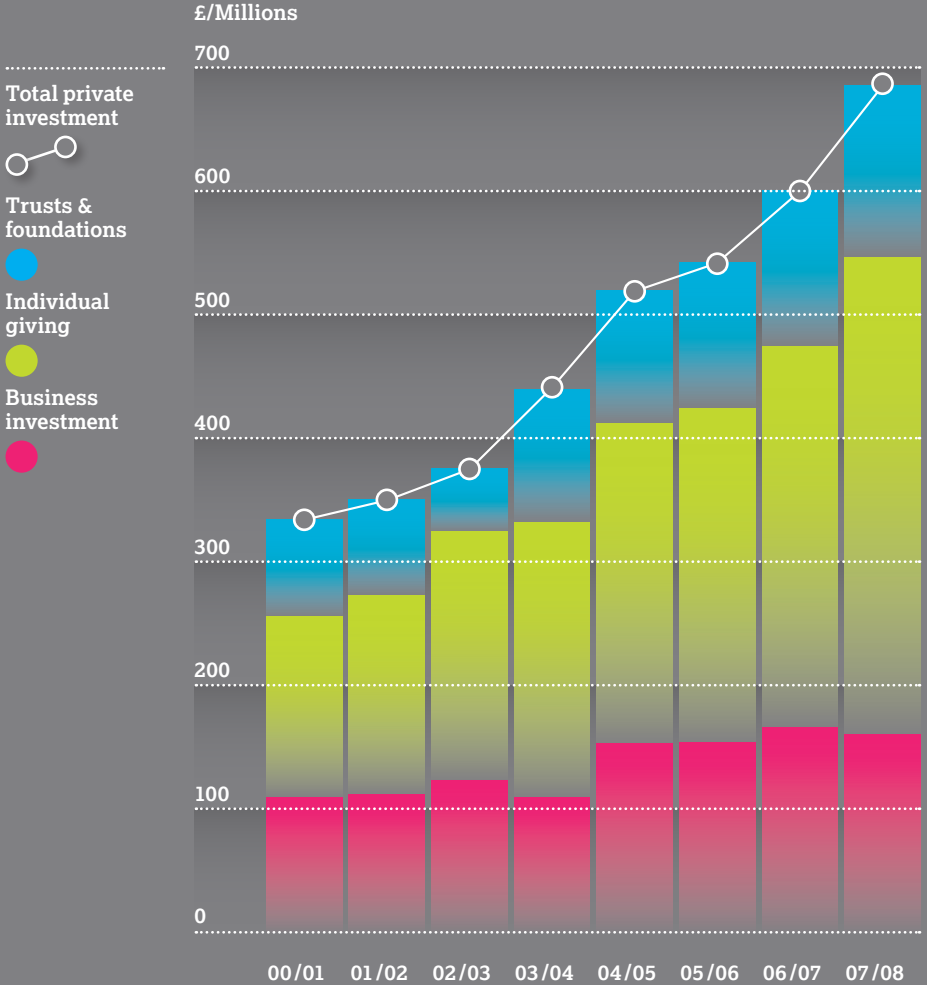
² The value of culture is derived from the DCMS' Creative Industries Economic Estimates – Statistical Bulletin, January 2009; using just the art & antiques, music, visual & performing arts and video, film & photography sub-sectors to estimate the total GVA in 1997 and 2006

Private investment in the cultural sector

Private investment makes up approximately 13% of the total income for cultural organisations in the UK. This is a large source of funding for the arts sector, allowing for quality programmes, creative freedom and flexibility, in addition to organisational sustainability.

Private investment in culture has experienced dynamic growth over the past few years, to reflect the general health of the overall cultural sector. In 2007/08, private investment in the sector increased by 12% reaching an all-time high of £686.7 million.

Private investment in the UK by investment source



Business investment

Business investment, which accounts for almost a quarter (24%) of total private investment in the UK, experienced a 7% decrease from 2006/07, culminating in a total of £163.4 million. Most of this (78%) comes from business sponsorship (cash and in-kind).

- Though the challenging economic climate may have been a contributory factor in the decline of business investment (mainly cash sponsorship), we cannot afford to ignore the biannual decline of business investment since 2002, which suggests that there is a 'natural cycle' to business investment.
- An interesting development in business investment is the increasing popularity of in-kind sponsorship, which now alone makes up close to 20% of total business investment in 2007/08, as opposed to 13% in 2006/07.
- The top three recipients of business investment combined, namely museums, visual arts organisations and theatres, account for close to 40% of the total business investment in the sector.

Individual giving

Individual giving in 2007/08 reached record levels, experiencing a 25% increase and amounting to £382.4 million, thus making up more than half of the total private investment received in the UK.

- 2008 saw what is thought to be the largest individual contribution towards a single capital project. If we were to exclude this donation, individual giving would have experienced a year-on-year increase of 18%.
- Heritage organisations alone account for more than half (52%) of the total individual giving in the cultural sector.

Trusts and foundations

Funds from trusts and foundations increased by 7% in 2007/08, reaching £141.1 million. Approximately 21% of all private investment comes from trusts and foundations.

Most of the funding from trusts and foundations (19%) goes into the museums sector.

Concentration of private investment

Overall, private investment is highly concentrated within the top 50 organisations, and particularly within inner London. This growing trend seems to ignore the significance and potential of smaller organisations and those located in the regions and nations. These organisations can attract large and diverse numbers of visitors but have simultaneously created a niche audience of their own. As further Arts & Business (A&B) research has shown, there is some correlation between the most attended cultural forms and those which receive the most investment. However, the investment figures are more skewed than the attendance figures.

For example, London dominates with 58% of all business investment in England and for some artforms such as libraries and museums & galleries, almost all the business investment goes to London venues and organisations, although museum attendance is high across the UK. By cross-referencing attendance and business investment, it is therefore evident that there are a number of cultural sponsorship opportunities available to enhance businesses.

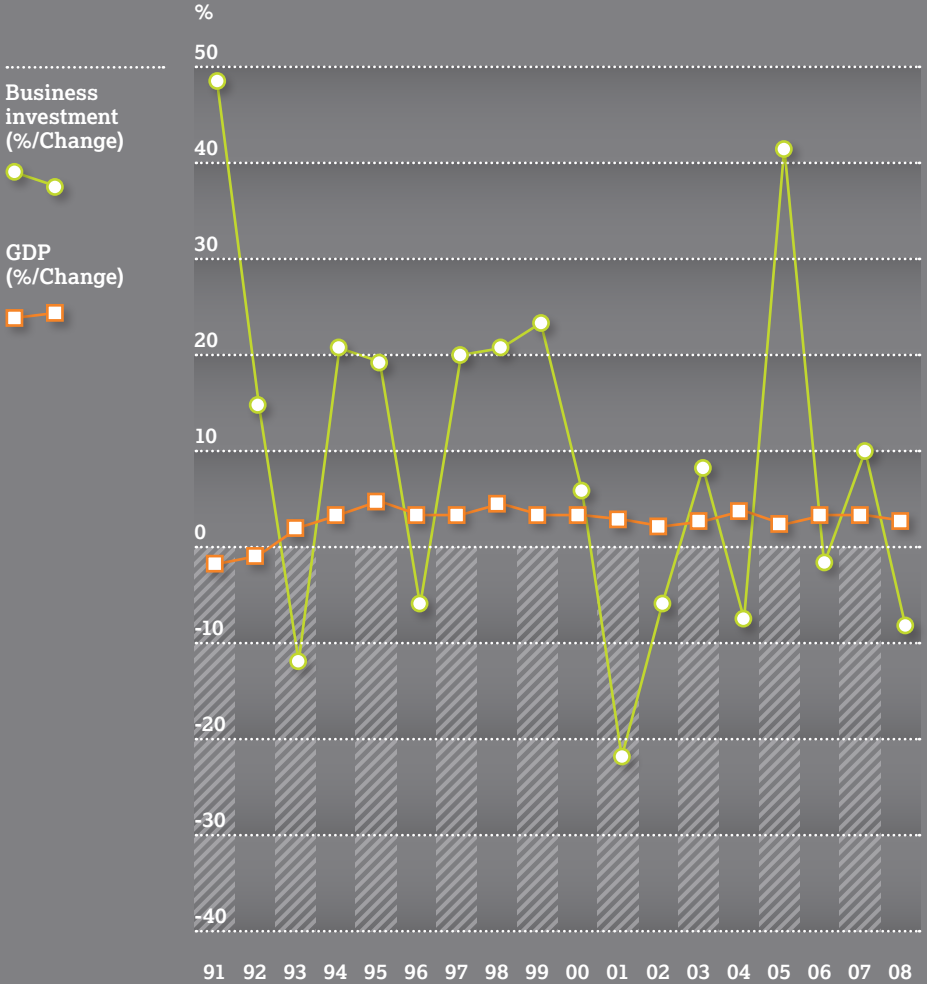
NB. Private investment in the cultural sector is analysed regionally and by artform in chapter 1.

The recession

According to A&B's historical data, business investment in the early 90's suffered as a result of the recession, with business investment growth slowing down substantially in 1991 and 1992, culminating in negative growth in 1993. This translates to an actual decrease of business investment around 18 to 24 months after the initial drop of GDP in 1991. It is worth noting, however, that business investment bounced right back the year after (1994), to surpass pre-recession levels.³

³ Office for National Statistics:
www.statistics.gov.uk

Business investment in culture against GDP



Looking ahead

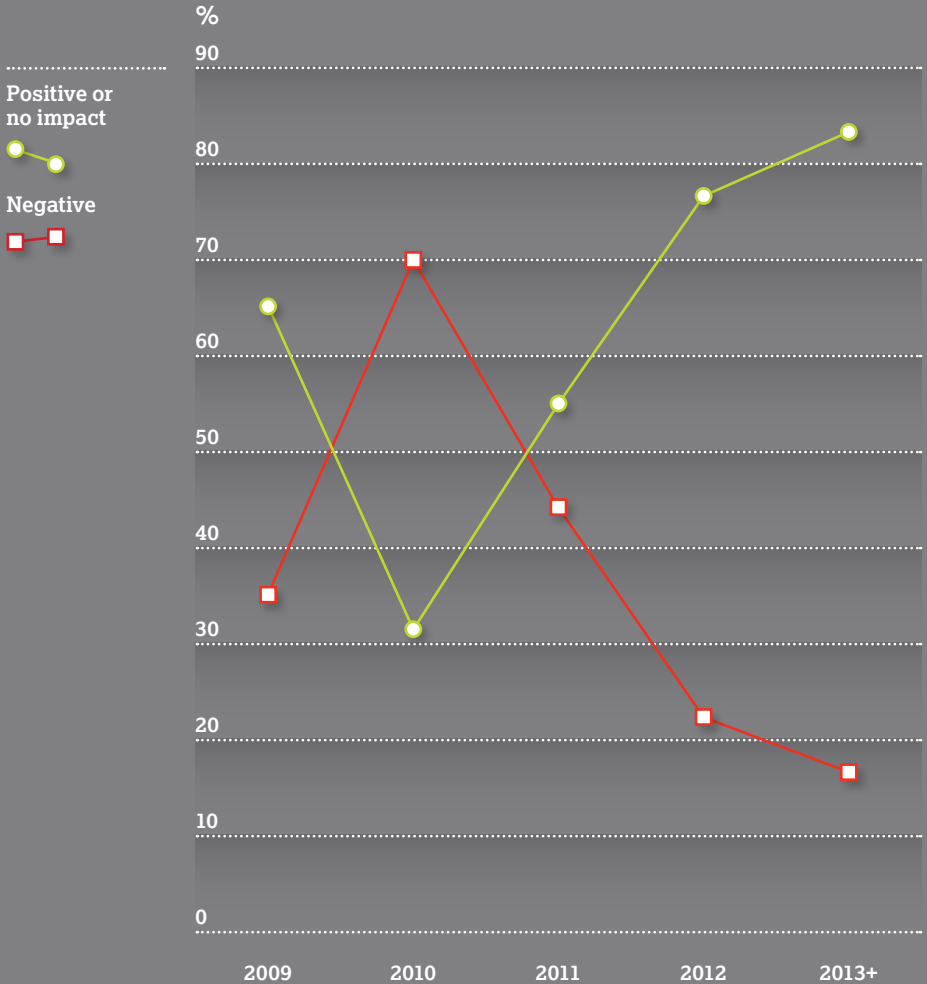
Whilst a comparison with the previous recession could be a forewarning or a prediction of what is likely to come, we must always consider what has changed in the economy and in both the cultural and business sectors since the last recession.

More specifically, since the early 90's, business investment has increased more than twofold, indicating that working with the arts is becoming an embedded practice within the corporate sector, driving key business activities and businesses' bottom line forward.

However, as the recession catches up with businesses and their partnerships with the arts, the climate is expected to remain quite dire, depending on the duration and depth of the recession. If the previous downturn is anything to go by, business investment in the cultural sector should start picking up once the economic climate starts showing clear signs of improvement.

According to our business respondents, confidence of businesses investing in the cultural sector, in view of this economic downturn, is shaken.

Impact of the recession on arts sponsorship according to businesses



Private investment, particularly coming from businesses, is likely to go down in 2009 but considerably more so in 2010 across all sectors and regions, according to our business respondents.

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From 2011 onwards, fewer respondents expect their company's investment in the arts to decrease, complemented by the growing number of respondents who anticipate their investment to increase or remain unaltered. The two trendlines (positive and negative) therefore converge in 2011, indicating that past that year, more people will expect investment in the arts to increase or stay the same.

Confidence in business investment was lower in November 2008 than it was in August, though sponsorship budgets seem stronger than other forms of business investment as they offer direct returns, both in monetary terms and beyond. As businesses are now restructuring to deal with the recession, sponsorship packages therefore need to reflect these changes, offer returns which are not just about money, but also about marketing, branding, the community, social cohesion and staff development/engagement. Cultural sponsorship should thus be at the core of business practices and values and provide a way in which this can be projected to the public.

The future of individual giving and funds from trusts and foundations is less predictable. Though both are likely to go down as a result of the recession, the positive perceptions of culture should continue to encourage the support of arts organisations, albeit at a possibly smaller scale, either directly through cash or indirectly through in-kind donations (exchange of time, skills and expertise).

State of the marketplace

In the wake of the credit crunch and the global recession, assets and wealth are slowly deflating but social and cultural capital are taking centre stage.⁴

As a recession is undoubtedly a challenging and difficult time, people and businesses, respectively, are now starting to re-evaluate their priorities and what is important for them, as well as what they can practically achieve and how much they can afford to invest. As such, there have been reports about the art market crashing in response to the stock market and the economy.⁵

⁴ The Economist, 'The Incredible Shrinking Saleroom', 24th December 2008

⁵ The Art Newspaper, 'The new reality – the state of the art market in 2009 is not easy to predict' 19th January 2009

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However, as is evident from A&B's most recent research, the cultural industries have been built on strong foundations, which provide the ideal platform for further growth in the sector in the long term. With the increasing focus on the value of culture rather than its price,⁶ new opportunities can come out of the arts and the way they can harness innovation, creativity and inspiration even in a gloomy economic environment.⁷ Individuals and businesses alike are attracted to the social, personal and business returns they can receive and induce from investing, supporting and sustaining the cultural landscape with its intrinsic power to educate, enlighten and entertain.

What is important for arts organisations is to maintain relationships with their donors, whether they are individuals, businesses or trusts and foundations. The arts must also now tap into these resources to receive support beyond monetary contributions (such as knowledge and skills), by being more proactive, flexible and sophisticated with their offer. Furthermore, cultural organisations should be able to provide high and tangible returns on investment and objectives in order to strengthen the case for ongoing support.

As the nature of relationships between private and public and culture and commerce are changing, so will the nature of sponsorship and giving. An expected dip in cash in the following years could herald a new era of opportunities for both communities to come out stronger and wiser, through new business models and the creative exchange of skills, expertise and more. It is these relationships which will therefore drive innovation and growth in the sector.

⁶ The New York Times, 'After a Capitalist W.P.A. what next?' 19th December 2008

⁷ Barbara Follett, Minister of Culture, Creative Industries and Tourism, DCMS. Arts & Business conference: Arts Fundraising in a Recession, 27th January 2009

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