

# Arts & Business

## Private Investment in Culture 2008/09: the arts in the 'new normal'

Towards recovery



## Executive summary

Overview of the state of the arts, focusing on the changing relationship between the private sector and culture

## Tripod economy

Exploring the success of the mixed-funding economy and the relationship between public funding, private investment and earned income

## Private investment

Analysis of the current and future trends of private investment in culture in light of the recession, and beyond

## Maximising inward investment

Latest thinking on maximising and maintaining private investment, including the potential for 'corporate cultural diplomacy' and alcohol sponsorship

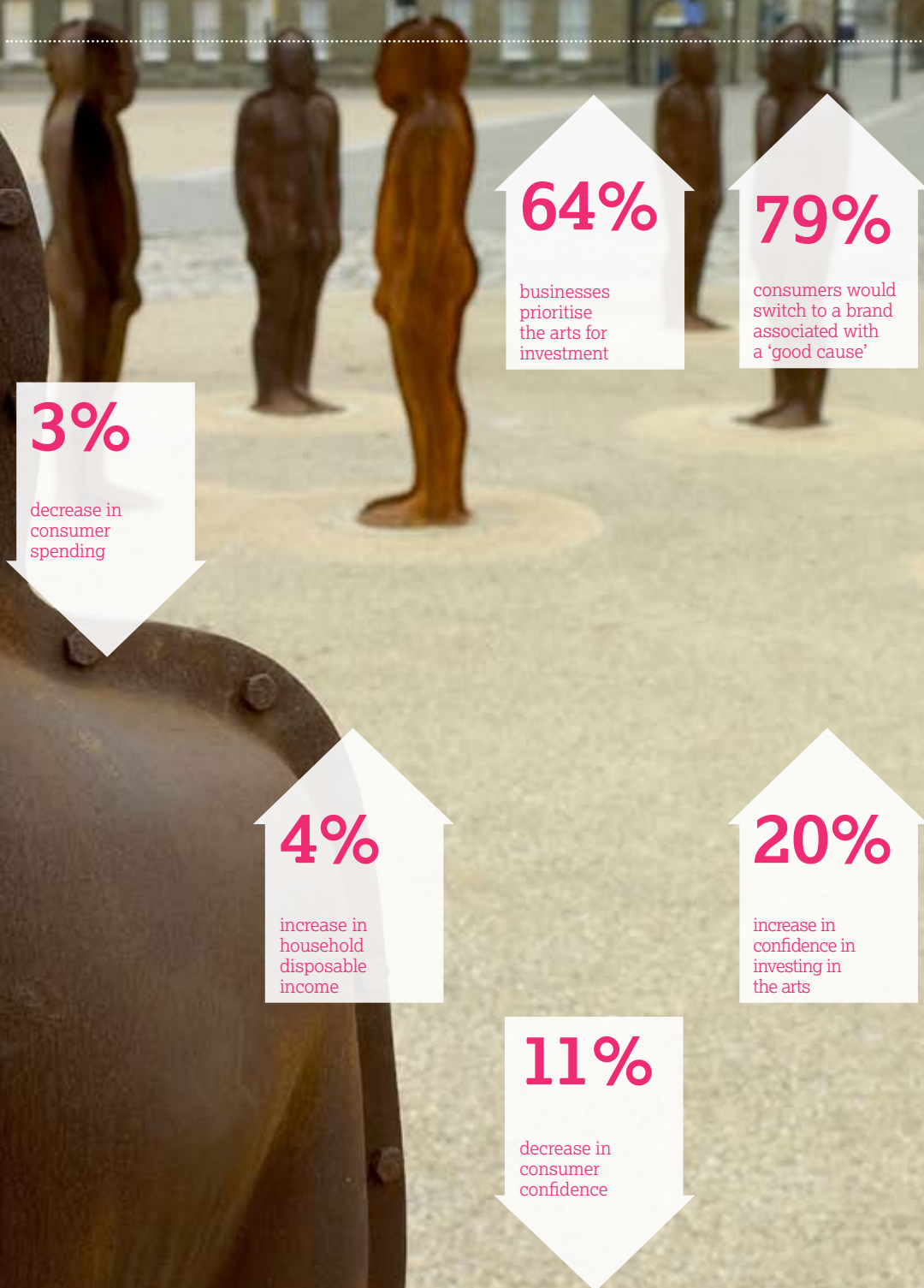
## Towards recovery

Looking at the challenges and opportunities for the cultural sector, and how it can become more sustainable and resilient

## Appendix

Our methodology, bibliography, acknowledgements and contributions

# Overview



# Market trends

In this chapter we will explore how business priorities are changing and what the cultural landscape is likely to look like in light of the recession and beyond. We will also provide insight into the changing relationship between the cultural and private sectors, offer advice and suggestions on how private investment can be maximised and how this can help to maintain competitive advantage in these trying times.

44%

of UK population expect the economy to improve in the next 12 months

24%

of UK population expect the economy to get worse in the next 12 months

## Introduction

**As the UK emerges from the longest recession on record<sup>31</sup> some things will return to normal – but not all things. The 'new normal', referring to the new business (and social) landscape, is therefore constituted by new priorities that may have started as a result of the recession, but that now go beyond it.**

The need to reconnect with target groups, for example, is one of them, through restoring trust and respect, though the need for quality products and services does not necessarily change.

For the past couple of years we have therefore witnessed a shift in the way people and businesses operate, within a context of uncertainty, though not necessarily (or at all times) austerity, the effect of which is likely to continue beyond the recession and into the 'new normal'.

As we have already seen, the arts sector is dependent on several different sources of income, which themselves are very susceptible to the peaks and troughs of the market. From public funding, to business investment and earned income from attendances and ticket sales, most (if not all) sources of income for the arts are determined (or at least shaped) in one way or another by external market forces such as the economy, technology and overall consumer trends.

## The context

According to Ipsos MORI's latest Economic Optimism Index (2010), 44% of respondents expect the UK economy to improve in the next 12 months, 28% say it will stay the same and 24% say it will get worse. However, 64% of respondents still don't believe that Britain is over the recession yet (13% said that Britain is still in deep recession). Around 85% expect it to take more than a year for Britain's economy to return to pre-recession levels (this is also reflected in our forecasts for the return of business investment to pre-recession levels; Mermiri, 2009).

Worse yet, according to Recession Britain (Vaitilingam, 2009) national income per head is predicted to take until March 2014 to return to what it was in March 2008.

As we have seen, the arts don't operate in a vacuum and are clearly affected by many external factors that are in turn often intricately connected with the economy. But looking past business activities and priorities, the recession also affected people on a personal level – their appetite for experiences over products grew, and their quest for authenticity similarly increased (Gilmore et al, 2009). However, their ability to consume at the levels they previously did were challenged, as is evident by consumer spending and confidence indices (Nicholls, 2010).

Interestingly, the side-effects were not all necessarily negative for the arts, as their popularity increased in tandem with people's need for authentic experiences and their limited purchasing power.

<sup>31</sup>The Times, Britain exits longest recession on record – just, 26th January 2010

# Market trends

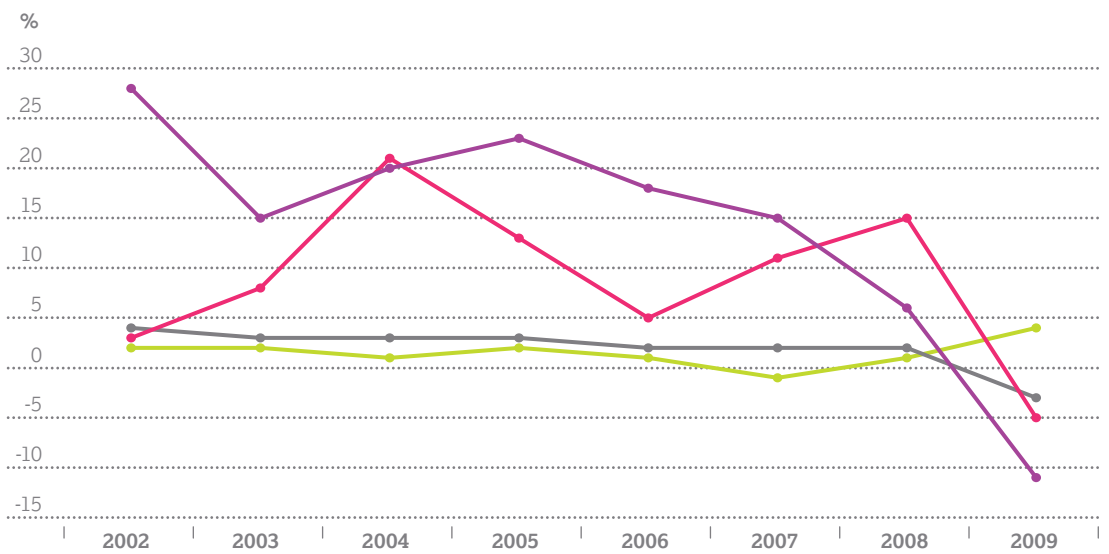


It is worth noting that though household disposable income increased in the last year, consumer spending has conversely been decreasing (ibid). By implication, there is some kind of correlation between private investment and consumer spending, though there is none between private investment and disposable income (as there is also no direct correlation between consumer spending and disposable income, especially since 2007).

This seems to imply, that a large part of consumer behaviour is determined by confidence and perception and not actual disposable income or purchasing power.

The gap between what people therefore say they do and actually do is not as large as often thought, particularly when much of what they do is affected by perception. Attitudinal research is therefore equally important in predicting behaviour as economic forecasts and analysis. Business priorities are, in a similar way, predictable through attitudinal research and analysis.

## Comparison of private investment with other economic indicators



- Household disposable income (% change)
- Consumer spending (% change)
- Private investment (% change)
- Consumer confidence

Source: Arts & Business on Future Foundation (National Statistics/nVision)

# Business priorities

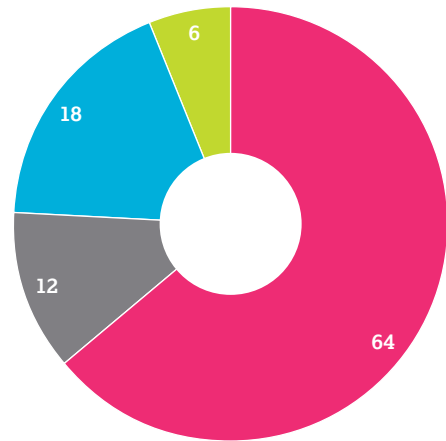
“The financial crisis has increased uncertainty in the ‘real economy’ and higher uncertainty has led firms to postpone making investment...” (Vaitilingam, 2009)

Even so, according to our business respondents, in the winter of 2009, their main investment priority for the next 12–24 months was in the arts, followed by sports, other charities and broadcasting.

As in April and July 2009, the majority of our business respondents (59%) are Arts & Business members and are already engaging with the arts in various capacities. There is therefore a natural bias in their prioritisation of engagement with the arts, as this is already an embedded practice for most of them.

However, most of the respondents deal with marketing budgets in general, of which arts sponsorship is only a part of and therefore offers a representative picture of their priorities going forward.

**First priority of businesses (% of respondents)**

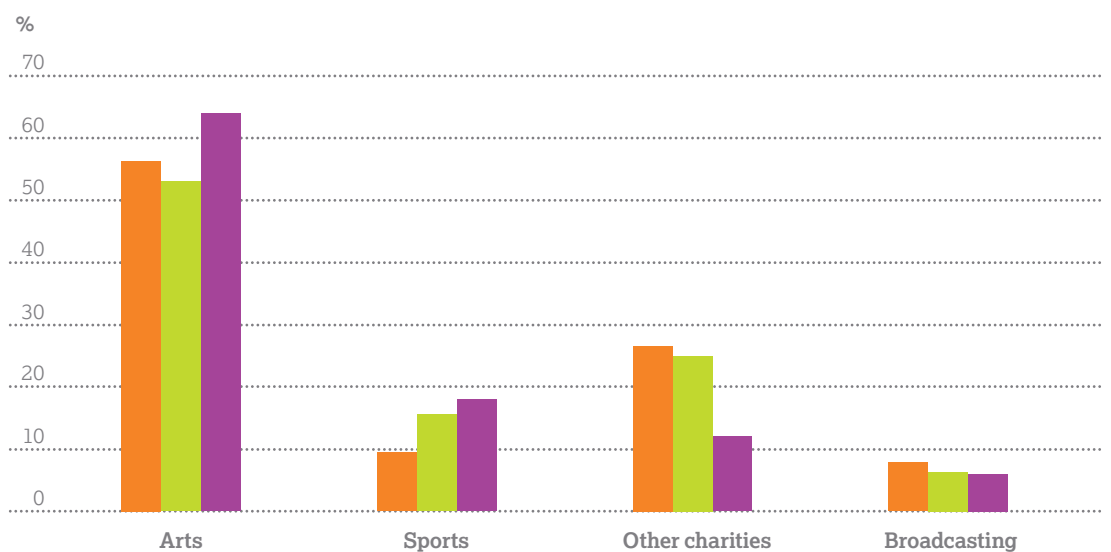


- Arts and culture
- other charities
- sport
- Broadcasting

Over the last year, the arts have consistently come first in terms of business priorities, though sports have recently taken the second place over other charities, and broadcasting is consistently their lowest priority and decreasing between surveys.

“arts and culture is the priority for investment for 64% of our businesses”

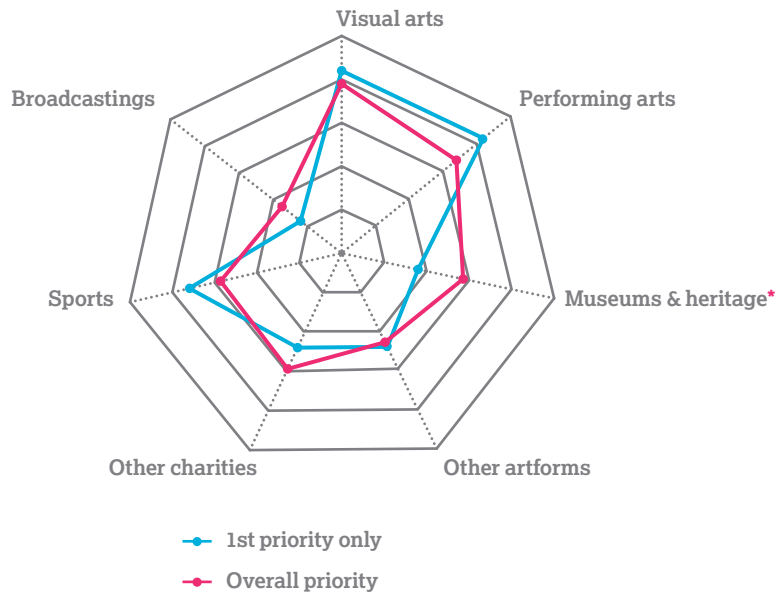
## Comparison of investment priorities for businesses



- April 09
- July 09
- November 09

# Business priorities

## Breakdown of business priorities (% of respondents)

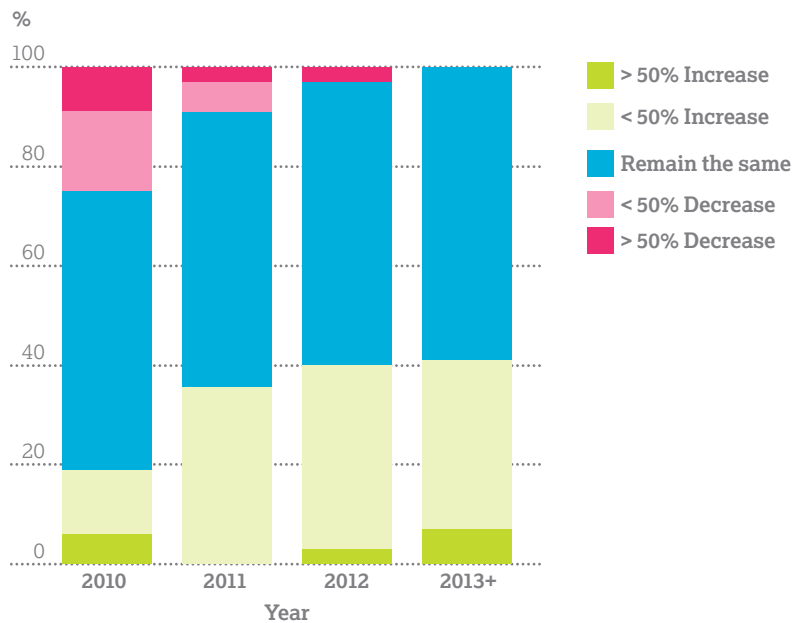


Furthermore, according to the IFM Industry Survey Mid-Year 2009 report, many brand owners who traditionally work closely with sports are now seeking to diversify their sponsorship portfolio to include culture in order to provide a more holistic, diverse and interesting experience for their consumers and target audience.

By 2013, businesses anticipate to no longer be reducing their spending in the arts (and if not maintaining, then increasing it) often by more than 50%.

## Future levels of business investment in the arts (% of respondents)

“brand owners who work closely with sports are now seeking to diversify their sponsorship portfolio to include culture”



\* The relative 'disinterest' in this field does not equate with our private investment in culture figures, which shows that museums are, in fact, the largest recipients of business investment. However, the graph above only depicts businesses' priorities for investment for the next couple of years, and not the levels by which they invest in each (though it is obviously likely for there to be a correlation between the levels of priorities and that of investment).

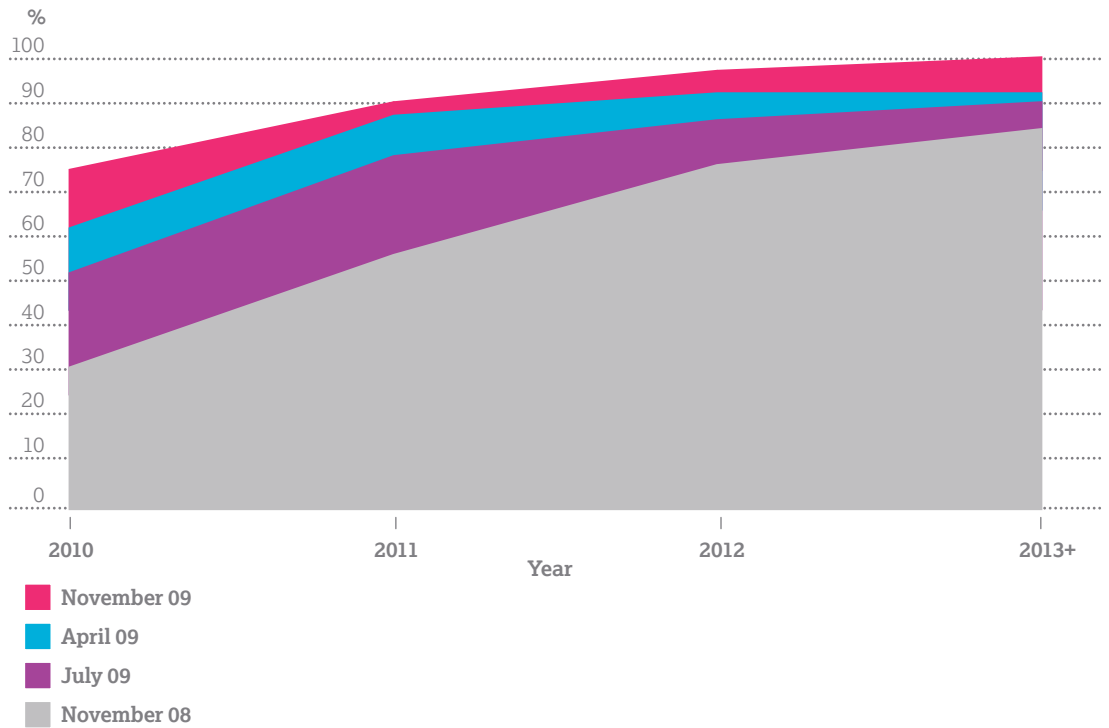
# Business priorities

“by 2013, businesses will no longer be reducing their investment in the arts”

Confidence levels around investment in the arts were lowest in November 2008, in the thick of the recession. Surprisingly enough, April 2009, which was the next time we questioned our respondents about their attitudes regarding the recession and the impact it will have on the arts, they were more confident than 3 months later when they were asked again in July.

Business respondents, however, were most confident in November 2009, when the attitudes and perceptions were moving away from the threats and challenges of the recession and towards the opportunities of the recovery, which is aptly reflected in the theme of this report.

## Comparison of business confidence levels (Nov 08 – Nov 09)



**20%**  
increase in business confidence in investing in the arts between July and November 2009

# Individuals at the centre

“54% of the adult population gave money to charity in a typical month of 2009”

Cause-related marketing is a powerful influence on consumer's behaviour – in 2009, 79% of consumers would switch to a brand associated with a good cause, up from 66% in 1993, and 38% have bought a product associated with a cause, compared with 20% in 1993.<sup>32</sup>

The future trend, therefore, seems to be one based on collaboration, partnership and co-donations. In addition to using culture to attract and retain the brand loyalty of target groups, businesses will increasingly work directly with their audiences to make an impact on the community they serve, combining consumption with philanthropy. Localism therefore has a strong place in the future of the arts, and the way they could be funded going forward.

As philanthropy and individual giving are considered discretionary spend or luxury goods, they fluctuate according to income and ability to give (Pharoah, 2009). In this light, as is the case with businesses, when the economy and individuals' spending capacity returns to pre-recession levels, so should the levels of giving.

Considering that more than 54% of the adult population donated in a typical month of 2009 (NCVO, 2009a), there is still much potential for growth in this source of giving in the future for the arts.

Furthermore, “the proportion of individual income given to charity is likely to remain generally constant... so the sector [also] needs to retain the capacity to respond to an upturn in income” (Vaitilingam, 2009). This should essentially translate to an upturn in giving; but it is equally important that arts organisations have the right mechanisms and resources in place to harness this and tap into new sources and increasing levels of giving.

Demonstrating efficiency and impact of contribution will become increasingly important, as donors (like businesses) are becoming more interested in helping to make charitable activities more sustainable, and therefore want to be treated as partners and strategic philanthropists, rather than passive and removed donors (ibid; Breeze, 2009; Goodey, 2010).<sup>33</sup>

What is now needed in the 'new normal' is patience and perseverance, with public engagement and a greater audience focus driving most, if not all, of the cultural sector's priorities and activities (Leadbeater, 2005; Knell, 2006), and collaboration, partnerships and co-donations leading the arts into the post-recession economy.<sup>34</sup>

<sup>32</sup>Marketing Week, Philanthropist change into a corporate suit, 21st January 2010

<sup>33</sup>Philanthropy UK, Charities told to ask philanthropists for help in raising income, 11th March 2010

<sup>34</sup>ibid

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# Summary of key messages

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“businesses and individuals want to be treated as partners rather than passive and removed donors

strategic philanthropy, collaboration and co-donations will lead the way”

- As the UK is emerging from the recession, both consumer and business confidence levels are slowly increasing
  - For businesses already engaging culture, investment in culture will still be a priority going forward, with 2010 expected to be the low-point
    - Business investment in the arts isn't likely to surpass pre-recession levels before 2013
  - There is still much potential for growth in private investment to culture, so the sector should incentivise and engage businesses and individuals in more direct and innovative ways
  - The future lies in collaboration, partnerships and co-donations, where one source of investment will leverage and catalyse additional support from more/other sources.
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