

ECONOMIC EAR

Symphonic tigers and chamber kittens

In the fifth of our series of articles on the business of classical music, Antony Feeny reflects on the extent to which the UK music industry may be dominated by a few large organisations

Hans Sachs was a remarkably productive artist if the common sources are to be believed. In addition to keeping the inhabitants of Nürnberg well-heeled, he apparently cobbled together 4,000 *Meisterlieder* between 1514 and his death in 1576. That's about one every five-and-a-half days every year for 62 years including Sundays, in addition to his other 2,000 poetic works – not to mention shoes for the 80,000 feet of those Nurembergers, or at least the wealthy ones. This enormous output perhaps suggests that Sachs had cornered the local market for composing and performing *Meisterlieder*, which is certainly the impression one gets from Wagner's portrayal of this quasi-monopolistic Andrew Lloyd Webber of 16th-century Nürnberg.

So perhaps he was indeed the dominant figure in at least the luxury segment of the 16th-century regional music market since, however much ideologues and liberals would

like to ensure free competition and level playing fields, those pesky markets persist in becoming more concentrated and awkward ruts will keep appearing in those playing fields. And so it seems with classical music.

Was *Le Quattro Stagioni* – well-known to every denizen of coffee shops and call centres – really so much 'better' than works by the Allegris, the Caccinis, Cavalli, Frescobaldi, the Gabriellis, Landi, Rossi, Schütz, or the hundreds of other 17th-century composers that hardly ever get performed? Did just ten composers really merit nearly 70% of opera performances recorded by operabase.com worldwide over the five years to 2014?

Maybe it's not so surprising that in the case of live classical music performing organisations only a handful should be so dominant, since that's the trend in other (non-musical) industries. The top five companies in their respective global markets sell nearly 25% of pharmaceuticals and nearly 50% each of smartphones and vehicles, for

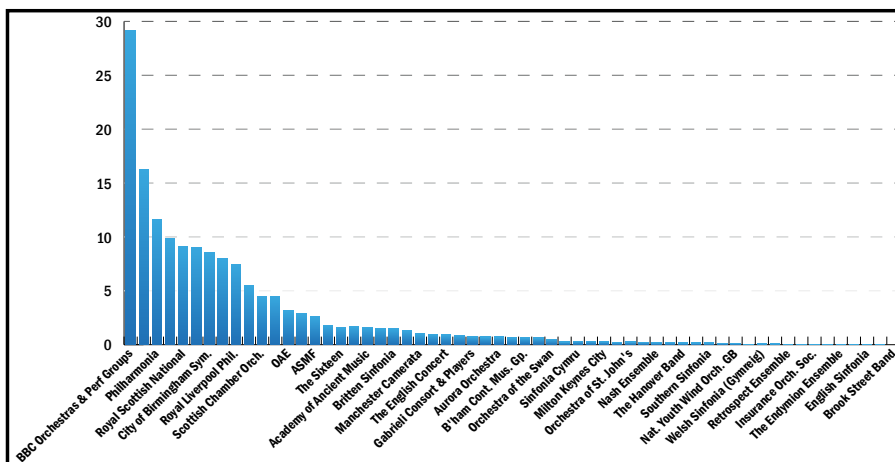
example, and the top four supermarkets and top four banks have over 70% of the British grocery store and retail banking markets, while the top six energy suppliers account for 90% of the UK market. But these are (relatively) free markets where commercial companies compete, so what's the situation for classical music – a market which is subsidised and where its leading organisations are best semi-commercial, or at least non-profit-making?

I shall concentrate on the data for opera and orchestras, since both are mainly focused on classical music and include a substantial number of organisations. Chart 1 shows the breakdown of the £155m total 2013 income for each of the UK's 59 orchestras, ranging from the largest (six BBC performing groups at £29.2m and the LSO at £16.3m) to the smallest (the Brook Street Band at £0.003m).

This range is enormous, resulting in a chart with an illegible 'long tail', so Chart 2 presents the same data but eliminates the 17 groups with incomes below £200,000 as well as the six BBC performing groups at the top end (£1.3m + £29.2m or 20% of the total of £155m). In 2013 the nine largest orchestras generated incomes of over £5m each, with a further 13 with incomes of over £1m each.

So what? In one sense it is self-evident that symphony orchestras are going to have much higher incomes than their smaller brethren, but on the other hand they are also partially 'competitive' in the sense that an audience is just as likely to hear a Mozart or Beethoven symphony played by the Aurora Orchestra (No 28) or the London Mozart Players (No 29) as by the LSO

CHART 1: 2013 TURNOVER FOR 59 UK SYMPHONY & OTHER ORCHESTRAS (£ MILLIONS)



◀ Note: Labels are shown for selected orchestras only

CHART 2: 2013 TURNOVER FOR LARGEST 31 UK ORCHESTRAS (EXC. BBC) (£ MILLIONS)

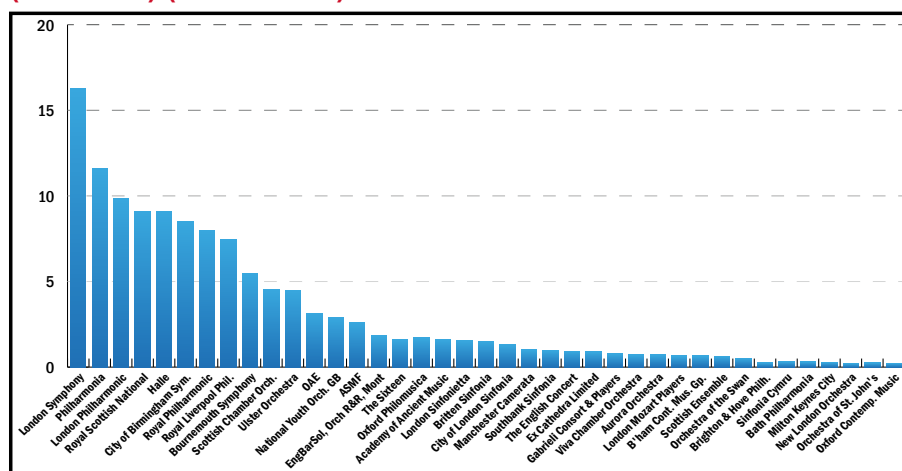
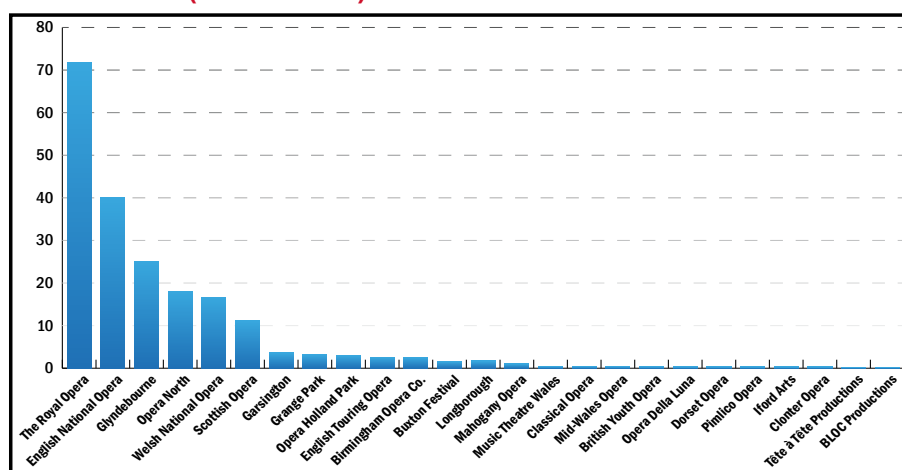


CHART 3: 2013 TURNOVER FOR 29 LARGEST UK OPERA COMPANIES (£ MILLIONS)



▲ Note: Figures exclude Ellen Kent, Raymond Gubby and 47 companies with 2013 turnover lower than £200,000

(No 1) or the RLPO (No 8). So, *pace* those arguing that too many orchestras are based in London, is the ‘orchestral business’ as concentrated as other industries?

Economic analysts of commercial markets sometimes evaluate concentration using the Herfindahl-Hirschman Index (HHI) – a name that trips off the tongue of the average economist with as much facility as, say, Mozart’s *Die Schuldigkeit des ersten Gebots* (K35, 1767) does off the tongue of the average musician. Calculated as a ratio, an HHI of 100% indicates a monopoly with only one company, while an HHI near zero would be close to perfect competition. The good news, unless you’re a conspiracy theorist, is that the UK orchestral HHI is

low at about 6.2%, and even if you include the BBC groups and the smaller bands it’s still only 7.2%. Good news also for those economists sitting in the Stalls.

And what about opera (Chart 3), where even more conspiracy theorists can be expected to argue that too few companies are hogging the action? Although two companies (ROH and ENO) generate over 50% of the income, there are enough ‘competitors’ that the market would not be considered concentrated. So the economist can still rest easy in her Stalls seat, although the rest of us may not be quite so content, especially in you don’t live in London.

And before we finish, let’s take a look at the proverbial elephant forever stomping

around the classical music room: what’s the situation in the German operatic and orchestral markets?

The total annual revenue in 2013 of the 49 symphony orchestras in Germany (excluding the 13 radio orchestras and many much smaller bands) was €428m (£313m). This was considerably higher than the UK’s total orchestral income for all orchestras of £155m, but interestingly the HHI was almost exactly the same as in the UK at 6%.

The total annual turnover of the 196 stages in the 89 cities in Germany where opera was performed in 2013 was €2.44bn (£1.78bn), although opera as such only represented 23% of the performances (albeit probably a higher proportion of the €560m revenue which would be suggested by that proportion) with the rest accounted for by ballet, operetta, musicals, and concerts. Not surprisingly given the large number of locations spread out over a relatively large territory, there is no evidence of industry concentration with an HHI of 1.7%.

The absence of concentration in German opera and orchestral music is surely no great surprise since not only are there far more companies than in the UK, but it is of course a federal state and resources are spread far more evenly around the country. The economic grounds for arguing that a few organisations dominate UK classical music may not be so strong, but there are many other factors to be considered in the context of a centralised country where classical music is starved of resources.

This is play of course, albeit with a serious purpose. Most of us might well tolerate more ruts in the level playing field or welcome further ‘market concentration’ in the classical music business if there were securer prospects or guarantees for the survival of the art form and the institutions that support it. So far Hans Sachs has survived longer than operatic or orchestral music. 🎭

Antony Feeny once made a living as an international management consultant in the UK and Asia and is now a PhD student in Musicology at Royal Holloway University of London

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