

# ECONOMIC EAR

## Musical performance indicators in the right key?

In this month's article on the business of classical music, **Antony Feeny** ventures into the murky world of musical business performance indicators

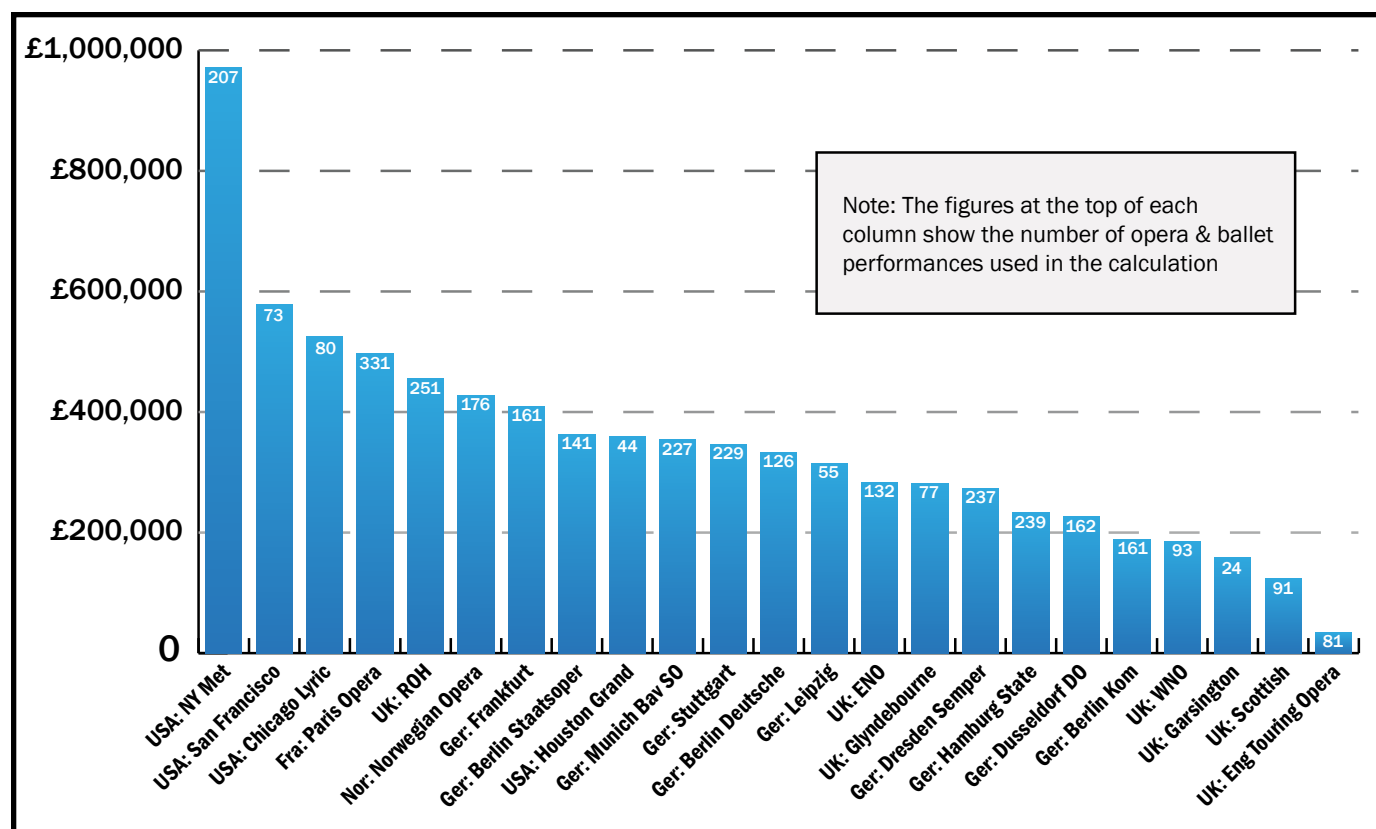
**W**hat is the secret formula that makes one musical performance so brilliant and another so dull? Musicians have long been searching for that magic dust, one sprinkling of which can convert the routine into the exceptional. And musical impresarios have been searching even longer for that same

golden dust that can convert a few musical notes into an abundance of bank notes. And it doesn't seem necessarily to be related to expenditure: we've all slumped utterly bored through a classical music 'media event' staged in a grand setting by world-class musicians with no expense spared to achieve its soporific and champagne-fuelled effect,

but the next evening clutching our pint mug we've been utterly enthralled by a compelling performance in a tiny venue by scratch forces created on a shoestring.

We appear now to be moving into an era where artistic enterprises are run by business consultants (which for the sake of transparency the Economic Ear has to admit was his

### ESTIMATED TOTAL AVERAGE COST IN £ PER PERFORMANCE FOR SELECTED UK, OTHER EUROPEAN, & AMERICAN OPERA HOUSES IN 2013



▲ \*UK figures from individual company reports; German figures from *Deutscher Bühnenverein Theaterstatistik 2012-13*; figures for US, Paris, Norway from individual company websites for 2012/13; all converted at the end of December 2013 exchange rate. See website link for more details

## SOME OF THE REASONS WHY THE COSTS OF OPERA COMPANIES DIFFER

- ▶ **Venue:** Some opera houses and other venues are inherently expensive to maintain and run, some have multiple venues the information for which is not necessarily available separately, some may enjoy below-market rents, and different theatres have different machinery and backstage facilities with different operating costs
- ▶ **Stagione v repertory:** Some companies operate a *stagione* system with a run of several performances in a short period of time so sets can be kept on hand, while others operate a repertory system where a production will recur throughout the season, requiring sets to be brought in and out regularly
- ▶ **Structure of productions:** In general a larger number of new productions and a larger number of productions overall will usually result in higher costs, although in some cases these may be partially mitigated by co-productions with another opera house
- ▶ **Season duration:** Many companies, including both seasonal and some regular companies do not operate full-time, but still require some staff and other 'overheads' throughout the year but earn no income during that time
- ▶ **Touring:** Some companies tour, and touring has different costs
- ▶ **Complexity:** The size, length, and resource requirements of different operas vary widely. Compare Wagner's *Ring* tetralogy with Poulenc's monologue *La voix humaine*
- ▶ **Ensemble:** Some opera companies use almost all their own singers, who are paid a relatively ordinary salary, while others rely on more expensive guest and star singers
- ▶ **Ballet and opera:** Many companies offer both ballet and opera performances and don't usually separate the costs, but ballet is generally cheaper, so the average performance cost will be lower for companies with more ballets
- ▶ **Positioning and overheads:** The up-market positioning of the major opera houses usually requires higher staffing levels. On the other hand, they may also have greater commercial opportunities (eg food & beverage), albeit at a high cost
- ▶ **Local labour, social and other practices:** Despite globalisation, each country has its own specific practices in areas such as labour, social welfare, remuneration, and accounting, which may have significant cost implications
- ▶ **Outreach and educational:** The outreach and educational activities of all musical organisations are becoming ever more extensive and are not necessarily reflected in financial or performance statistics
- ▶ **Digital activities:** Streaming, public relays, video and other digital activities incur costs. Some of these are recoverable or even profitable, such as the Met Live series, but others are not and are increasingly seen simply as part of the remit (and cost) of a responsible public organisation
- ▶ **Concerts:** Some opera companies use their orchestras to give occasional or regular symphony concerts, although these have been excluded where possible since they are not a 'core product' and their average cost is much lower
- ▶ **Foreign exchange:** Comparative figures go up and down with changes in the exchange rate. Revenues are usually local, but not all costs are controllable locally or in local currencies which is a particular issue for the international companies
- ▶ **Artistic considerations:** Last but definitely not least, opera companies may simply decide as a matter of artistic choice that their forte or selling point is to provide a regular new supply of elaborate stagings of grand operas with large casts and top singers, and cost is a secondary consideration.

former profession). Since the 1990s we've all come to love and to hate one of the tools that comes in their back pocket, namely Key Performance Indicators (KPIs), which now dominate our assessments of educational achievement, health delivery, coffee shop service efficiency, social media marketing, and multiple other areas of cultural and economic activity that I cannot even begin to imagine. So what about the music business? Can we dip our analytic toes into the swamp of KPIs and draw some conclusions to help match financial with artistic success?

One financial question that regularly comes up is the cost of staging a performance of a symphony or an opera. How expensive is it? Is the cost roughly the same for all performances? And if not, how come one group can do it more cheaply than another? And if one group can do it more cheaply than another,

why don't we ask the cheaper group to put on the next performance of Mahler's Third or Mozart's *Figaro*, just as we might contract with the lowest-cost supplier of our electricity?

It is a self-evidently ridiculous question to any lover of music – but every frivolous notion may also contain the grain of a more reasonable question: can some musical groups put on performances more cheaply than others, and if so why? So in this article I've taken the heavyweight of musical costs, namely opera, and taken a very quick look at the average costs of different opera companies.

It would of course be ideal to be able to access and examine all the figures in detail. Until such time as an opera-mad nerd invents an app that can do this instantly, however, the curious reader may well have to settle for what I've done here. And even the problems of my straightforward approach are not to be

underestimated. It requires a lot of searching and sifting of data and somewhat arbitrary decisions just to get to the outcomes presented here. This method involves simply taking the total turnover of a selection of opera companies (including those with ballet attached) and dividing by the total number of performances to give an average cost per performance. This won't tell us the reasons for any differences in average cost, of course, nor shed any light on any potential trade-off between cost, quality and profit – but just having some information is a start.

The results of this simple exercise are shown in the chart. The bars represent the average cost per performance during the year 2012/13 based on the total expenditure and relevant (opera and ballet) performances of a range of opera houses in the UK, US, Germany, France and Norway. The number above each column

is the number of performances on which calculations have been based (the definition of which is to say the least problematic) in case anyone is minded to check further, and as usual the web link [see end box] provides more details about the sources and selection of data.

Before commenting on the results, I should draw your attention to some of the many reasons why costs are bound to differ between opera companies so that the resulting cost KPIs will inevitably also differ. There's a quick summary of 15 of these reasons in the accompanying box, and some more detail about these at the web link [see end box]. Since it simply isn't possible to 'normalise' for all these differences, it would be nice to think that these (and other factors) would somehow even out in the wash. Maybe, maybe not. The approach here is premised on the very broad assumption that the differences will not be too large.

per performance to English Touring Opera at £33,000 per performance (or less than 5% of the Met's), with the other UK companies scattered in the middle, including the Royal Opera House (opera and ballet) at £455,000 and English National Opera (more ensemble, more local) at £283,000. The US companies are clustered towards the more expensive end of the spectrum, probably because the US opera houses are much larger and that scale may impose higher costs and higher expectations, and make available higher budgets. In contrast the average costs per performance of the main opera companies in Germany and the UK are more spread out, but the results again indicate that it is the international orientation (and associated expectations) that is a prime determinant of high average costs.

But is £400,000 or so per operatic performance so much money compared to some

per game (including matchday, broadcasting and commercial revenues). While football may be more lucrative than opera, in general it doesn't appear to be much more profitable for the owners and teams, so it seems as though the average cost of a football game is some ten times higher than the cost of an opera.

So what is the value of this type of analysis, particularly given the difficulty of obtaining reliable and comparable figures, not to mention the stream of other caveats that I've listed in the box? One should be wary of drawing instant and 'actionable' conclusions without more detailed research, of course – which itself underlines the need for both more data and greater transparency, particularly for publicly subsidised companies. We don't have to follow KPIs slavishly, but in an age of stretched resources there is a powerful case for looking at relevant KPIs that raise pertinent or even awkward questions with the aim of getting more artistic value for our diminishing pounds.

What I have ignored in this analysis is the numbers of people attending performances, not to mention digital audiences. Given the larger size of American opera houses (and of football stadiums) looking at costs per attendee may well give a rather different picture – which is why next month's article will take another look at the data from that point of view as well as comparing costs per attendee with ticket prices. <sup>DM</sup>

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I should also point out that results are also skewed by the availability of data: some companies provide very detailed data covering expenditure, performances, productions, audiences, and so forth; others do not. So ensuring fair and equivalent comparisons is a problem. And of course many other opera companies not covered here provide no data at all.

So what do the results in the chart actually tell us, and are they of any use? It is no great surprise that the main American opera houses should be more expensive than their European counterparts, particularly given their well-publicised wage and union agreements. Nor is it surprising that the average cost of a performance at a typical international house (eg the New York Metropolitan, Opéra de Paris, Royal Opera House) is much higher than that of an ensemble house such as the Berlin Komische Oper or even those using primarily local resources such as Welsh National Opera. Nor indeed should we be surprised to note what outstanding value for money the British taxpayer/ticket-buyer seems to get from a small company such as English Touring Opera.

Perhaps what was most surprising about the results was the sheer range of average costs: from the NY Met at over £900,000

alternatives in the entertainment industry? According to Society of London Theatre statistics, the total revenue earned from 8,113 performances of musicals in London in 2013 was £355.35m, which is an average revenue of £43,800 per performance, or a tenth of the cost of a top-tier production of grand opera. Of course this is not directly comparable in very many ways, both favourable and unfavourable: the musicals revenue figure includes a profit margin, the commercial risks of musicals are much higher since a majority fail to recover their costs while subsidised opera is not expected to be profitable, and the capital cost of a major West End musical is much higher than that of a typical opera. The key difference, however, is 'leverage': the capital costs and overheads of a successful musical are recoverable over perhaps 100 times as many performances as for a typical opera. One point that is similar to opera, however, is that the costs of a Broadway production are much higher than that of the same production in the West End.

And how about the cost per football game? Well, in the season 2012/13 Manchester United played 60 games (per Wikipedia) and had a turnover of £363.2m (per Deloitte) which represent an average income of just over £6m

## METHODOLOGY & WEB LINKS

- ▶ For an explanation of the methodology, assumptions and caveats used to calculate the figures for classical music organisations in the UK throughout this series, your attention is again drawn to at [www.classicalmusicmagazine.org/economic-ear-methodology](http://www.classicalmusicmagazine.org/economic-ear-methodology)
- ▶ A list of sources and assumptions for other data relevant to this article can be found at [www.classicalmusicmagazine.org/economic-ear-sources](http://www.classicalmusicmagazine.org/economic-ear-sources)