

MANAGEMENT IN ACTION:

Industry Analysis of

The Sydney Symphony Orchestra

Robert Marks

Economic Issues

- **The SSO's objectives.**

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- Definition of the SSO's market.

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- **Funding: The Strong Report**
- **Baumol's cost disease.**

The Sydney Symphony Credo

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“The Sydney Symphony recognises the spiritual power of music and is dedicated to the performance of orchestral music.

The orchestra draws its substance from the engagement between audiences and musicians at performances where artistic excellence, the promotion of innovation and the encouragement of creativity transcend ordinary and everyday human experience.

We strive to earn and promote the Sydney Symphony’s status as an Australian icon and to build our international reputation for excellence.”

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- If the SSO's goal is *not* profit maximisation, then how is their decision making different?

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- Radio? TV? CDs? DVDs?

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- **The Australian Chamber Orchestra?**
- **Opera Australia?**
- **The Sydney Dance Company?**
- **Movies? Theatre?**
- **Radio? TV? CDs? DVDs?**
- **The Sydney Swans?**
- **The Bledisloe Cup?**

Demand and Supply

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What determines the SSO's costs?

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- **Rivals.**
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What determines the SSO's costs?

- **Salaries (54% of SSO expenses in 2003 were orchestral salaries and guest artist fees etc., and 13% were other employees' salaries).**
- **How difficult is it to reduce costs?**

Price Discrimination

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- Is bundling used?
- How are patrons segmented?

The SSO's Substitutors

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Rivals/competitors (*Substitutors*):

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Rivals/competitors (*Substitutors*):

- Alternative entertainment suppliers.
- Alternative arts suppliers.
- Alternative employers of musicians (here and abroad).

The SSO's Complementors

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Complementing organisations (*Complementors*):

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Complementing organisations (*Complementors*):

- **The Sydney Opera House, and other venues.**
- **NSW Ministry for the Arts, Australia Council**
- **Sydney Conservatorium of Music**
- **QANTAS**

2003 Income and Expenses

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Expenses for the year amounted to \$24.249 million.

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Income 2003

Government funding	46%
Ticket sales	39%
Sponsorship & donations	9%
Hire fees	4%
Interest income	2%

Expenditure 2003

Orchestral salaries	39%
Administrative expenses	22%
Guest artist fees	15%
Venue & production costs	11%
Marketing	11%

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- **What makes the SSO different from any other entertainment provider?**

Who Should Fund the SSO?

- In 2003, over 55% of SSO revenues came from government grants, corporate sponsorship, and donations.
In 2003, 43% of SSO revenues came from box office and hire fees.
- What makes the SSO different from any other entertainment provider?
- Why should the government sponsor the arts?

Government Funding

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- The Commonwealth provided 47%; State and Territory governments provided 13%; and local government provided 1%.
- Box office provided about 28%.
- Private sector sponsorships and donations was about 9%.

Multiplier Effects

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- Multipliers can be calculated for government expenditure, for employment, for investment.
- Expenditures on the SSO generate demand for CDs, books, meals, parking, transport, clothes, and other related products.
- Earlier research suggests a GDP multiplier of 1.79 for music & theatre productions, and an employment multiplier of 34/\$1 m.

CHART 2.9: ORCHESTRAL COSTS BY CATEGORY OF EXPENDITURE, 2003 (%)

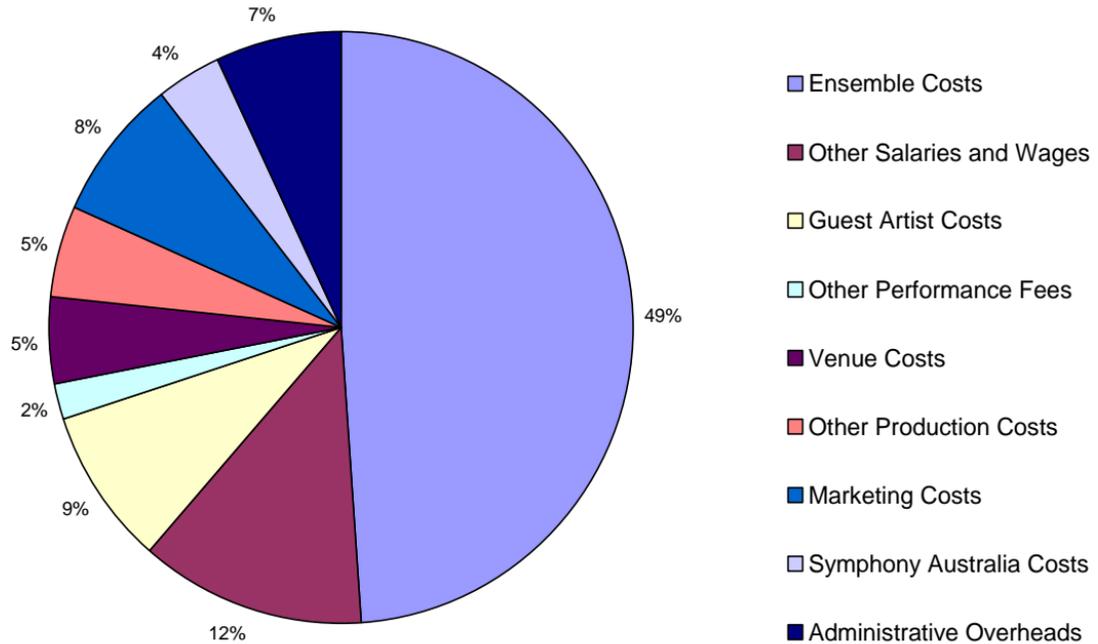


CHART 2.12: TOTAL MARKETING EXPENDITURE, 2001–2003¹⁹

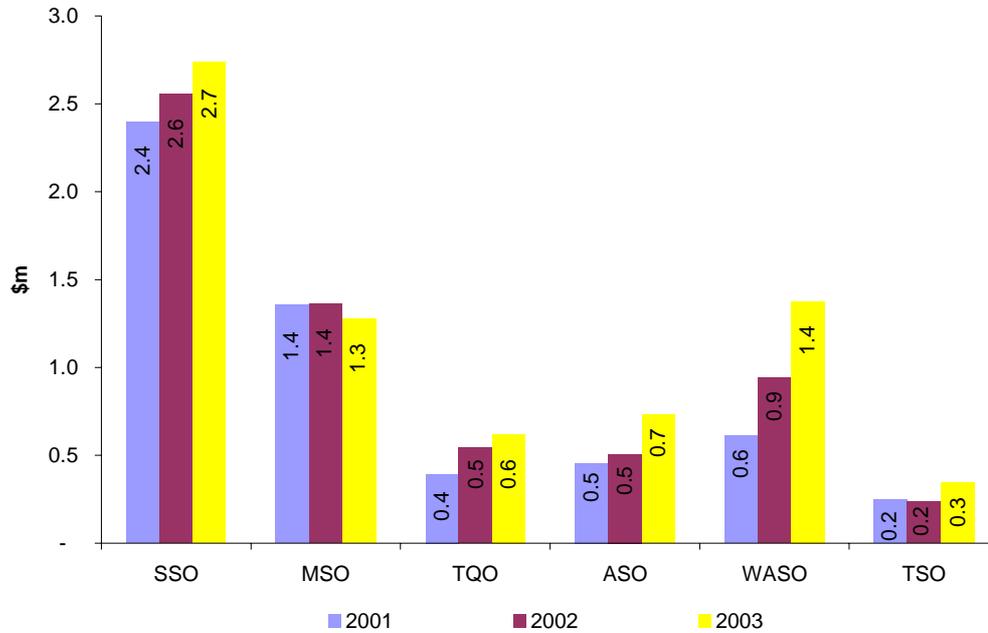
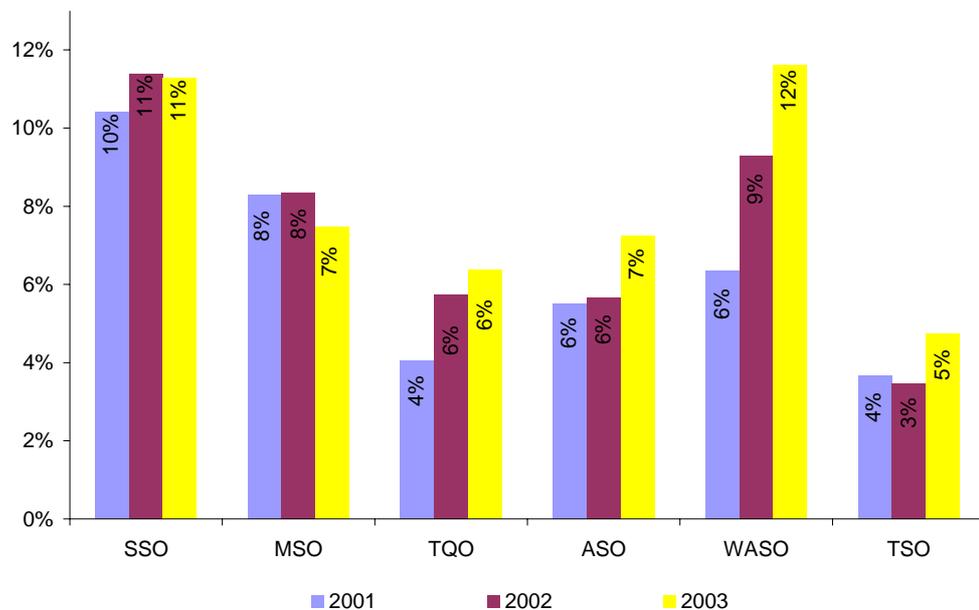


CHART 2.13: TOTAL MARKETING EXPENDITURE AS A PERCENTAGE OF TOTAL EXPENDITURE, 2001–2003



Supporting the SSO: Lending Your Support

“The Sydney Symphony is irrevocably linked with the ongoing well-being and richness of Australia’s cultural life. While celebrated as a leader in the performance of Symphonic music, many of our supporters are unaware of other activities in which the Orchestra participates; activities that seek to extend and redefine the ways in which music enriches our community.

There are a number of different ways that you can contribute to the orchestra, and donations by individuals are all tax deductible. Sydney Symphony donors are acknowledged in concert programs.”

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Blame Beethoven!

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Or greater perceived value supporting higher ticket prices?

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- 1. What are the SSO's objectives?**
- 2. How do you define the markets in which the SSO sells and buys?**
- 3. What are the demand and supply conditions in these markets?**
- 4. Why should tax-payers fund the SSO?**
- 5. How to avoid or reduce Baumol's cost disease in the long run?**