

DO CULTURAL TOURISTS GOING TO REGIONAL CONCERT HALLS BENEFIT LOCAL ECONOMIES? A COMPARATIVE INDUCED IMPACT ANALYSIS IN LATVIA

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Abstract

This study contributes to the field of the cultural economics by conducting an economic impact assessment of the three recently established regional concert halls in Latvia while focusing on induced impact.

The overall aim of this study has been to calculate the indirect impact of each regional concert hall on its home-economy in 2016 and to analyse the attendee profiles and what their spending habits reveal about each concert hall and its mission fulfilment.

During the research, the author has used a quantitative research methodology based on the best practices of economic impact assessment. The main source of data is the attendee survey, which is aimed to find out the attendee profile of three regional concert halls (place of residence, distance covered to arrive to the event, the type of event chosen, the size of the group, use of lodging) and their consumption habits (spending on cafes, indirect spending, spending on souvenirs etc.).

The main findings show that induced impact on their home economies is significant. The author has measured the induced impact that stems from non-resident attendee consumption habits in each of the newly constructed concert halls for 2016. The main factors that create divergence in the final induced impact are proximity to Riga, the capital city of Latvia, purchasing power, size of the host city in terms of inhabitants, access to alternative sources of entertainment and the number of years in operation. The distinction between attendee profiles in each of the concert hall creates a great base for further and better targeted attendee attraction.

Keywords: *cultural economics, economic impact assessment, induced impact, attendee profile.*

Introduction

Since 2004 the European Union funding has contributed extensively to the development of Latvia's economy both economically and culturally [Traidase 2011]. The second greatest cultural infrastructure investment after the National Library of Latvia is the creation of multifunctional concert hall web in each corner of Latvia, namely in Rēzekne, Cēsis and Liepāja (see Table 1, Figure 1) [Kultūras ministrija 2017]. These concert halls are of great importance for the field of culture in Latvia as their construction has been embedded within the fundamental cultural policy documents, namely “*Valsts kultūrpolitikas vadlīnijas 2006.–2015. gadam. Nacionāla valsts*” and “*Kultūrpolitikas pamatnostādnes 2014.–2020. gadam: Radošā Latvija*”, where one of strategic pillars is to promote equal development, accessibility, diversification and quality of culture throughout Latvia [Kultūras ministrija 2017]. The multifunctional concert halls are meant to serve as web of multifunctional cultural hubs to fulfil this mission – to revive the cultural landscape of Latvia. Yet no research has been conducted about whether and how well they attain these goals.

Table 1. Data on concert hall opening and cities they are located in

Concert hall	Opening	Years in operation	Total number of inhabitants (home economy) ¹
Rēzekne (<i>GORS</i>)	29.05.2013.	3	18,717
Cēsis (<i>Vidzemes koncertzāle</i>)	31.05.2014.	2	31,216
Liepāja (<i>Lielais Dzintars</i>)	07.11.2015.	1	78,144

¹ Source: PMPL, retrieved from http://www.pmpl.gov.lv/lv/assets/documents/statistika/IRD2016/ISPV_Pasvaldibas_iedzivotaju_skaits.pdf



Figure 1. Location of concert halls.

In the framework of this research the author is going to investigate and compare the visitor profiles and their habits for each of the three concert halls, as this information can provide a lot of insights on culture consumption in regions, which in turn allows to discern the weaknesses and strengths of the concert halls themselves, while providing with opportunity to improve management brand strategy and audience targeting [Sinh, Ahuja, & Medury 2010].

Therefore, this paper aims to find out the attendee profile of three regional concert halls (place of residence, distance covered to arrive to the event, the type of event chosen, the size of the group, use of lodging) and their consumption habits (spending on cafes, indirect spending, spending on souvenirs etc.). It has been done by applying economic impact assessment (EIA), namely conducting attendee surveys and measuring the indirect impact of each concert hall created in the year 2016 aiming to answer the following **research questions**: *What is the indirect impact of each regional concert hall on its home-economy in 2016? What do the attendee profiles and spending habits reveal about each concert hall and its mission fulfilment?*

The answers to these questions will equip both concert hall management and the officials of the Ministry of Culture with deeper understanding of contemporary trends in cultural tourism in Latvia, highlight the strong sides and overall benefits of the multifunctional concert hall web, as well as detect potential issues to be resolved or improved in future. Knowing instead of assuming who is your client, attendee is of a great value for any enterprise, it allows to make strategic decisions aimed at concrete goals [Sinh, Ahuja, & Medury 2010].

Methodology

Economic impact analysis (EIA) is a methodological approach mainly used in cultural economics to examine the short-term monetary contribution of an event, culture infrastructure or an entire industry that mainly relies on culture tourism for a particular area (home economy) [see Shellard 2004; Werquin 2006; Zemīte 2008; ECOS 2008; Rozenberga 2013; Freiberga 2015]. Therefore, EIA requires to draw a formal border between the host economy and the so called overseas economy (everything outside the defined scope of home economy) [Shellard 2010].

EIA quantifies and monetizes three types of impact – direct, induced and indirect impact. Where the former examines employment and income generated by the cultural activity itself, the induced impact stands for the visitor impact, derived from their spending on various goods and services and the latter measures the multiplier effect [Throsby & Ginsburg 2006].

Due to the fact that all three regional concert halls in Latvia have been newly constructed (direct impact proves to be volatile) the most insightful information

can be derived from measuring the induced impact, meaning understanding and comparing the attendee spending habits and preferences. Therefore, this paper will concentrate solely on this part of EIA. It is crucial to understand that this methodology and therefore this paper aims to determine the additional income created in the home economy because of the existence of the concert halls. Meaning that in calculations only non-residents are considered as the locals would have spent the money in the home economy anyway, just for a different good [BOP Consulting 2012].

Survey design

Survey design is the main concern in an EIA induced impact calculations. The aspects to consider are: choice of survey questions; the structure and quantity of visitor expenditure angles; collection of responses [Raabová 2014].

To obtain data on spending because of attending the event, both home and overseas spectators were interviewed. Survey questions were chosen based on EIA model requirements and previous study experiences [Raabová 2014].

A total of 367 direct structured interviews were conducted with total sample size of 1223 respondents, which is 28.5% of all the spectators present at the events (see Table 2). The cross-sectional research method was used to conduct the face to face interviews of attendees before the events. Convenience sampling was chosen, picking the respondents randomly and asking a total of six open-ended questions. Surveys took place from 11.11.2016 to 25.12.2016.

Table 2. **Fieldwork data on survey process**

Place	Date	Inter- viewers	Unique spectators ¹	Spectators interviewed	Contact moments	Event type	Event title
Rēzekne	11 November	2	500	206	72	Music show	Carnival Youth "Propeller"
	12 November		20	90	39	Theatre	Liepāja Theatre "Indulis un Ārija"
	13 November		145	130	28	Theatre	Liepāja Theatre "Cilvēks, kas vairās no liftā"

¹ Data obtained from the concert halls.

Table 2. (Continued from page 121.)

Place	Date	Inter- viewers	Unique spectators ¹	Spectators interviewed	Contact moments	Event type	Event title
Cēsis	9 December, 14:00 and 18:00		720	194	55	Music show	Daumants Kalniņš and Jelgava Bigband “ <i>Frank Sinatra 100</i> ”
			720	176	55		
Liepāja	26 November, 18:00 and 19:00	1	140	56	21	Chamber concert	“ <i>Iedez gaismu</i> ”
			778	102	37	Dance show	Tanci “ <i>Sezonu cīņa</i> ”
	25 December	2	971	273	60	Theatre	“ <i>Pērļu zvejnieks. Ticot, mīlot, gaidot</i> ”
			4294	1223	367		

¹ Data obtained from the concert halls.

Results and discussion

Survey results (see Table 3) have been used as input for induced impact calculation, while excluding transportation expenses, as they have been analysed separately and might distort the real contribution to the home economy and complicate a fair comparison of concert halls because of the varying size of the defined home economies as well as their distance from such major city as Riga.

Another aspect to consider for induced impact is the number of attendees during the year 2016. The author has gathered information only on the number of attendees in events organised by producers and concert halls themselves, which nevertheless is the majority of events. This allowed to estimate the results more precisely because the attendees to these types of events were interviewed.

Each element of the survey will be discussed separately (see Table 4) and summed up with the similarities observable amongst all the concert halls.

Table 3. **Aggregated output data on the spending habits of a non-resident**

Venue	People surveyed	Incl. non-residents	Average spending on:					Total (w/o ticket)
			transport	cafes	other	indirect	lodging	
Cēsis	370	312 (84%)	€ 3.07	€ 8.47	€ 0.29	€ 1.75	€ 0.32	€ 13.90
Rēzekne	426	310 (72%)	€ 5.09	€ 5.69	€ 0.11	€ 0.98	€ 1.27	€ 13.15
Liepāja	431	263 (61%)	€ 4.25	€ 6.34	€ 0.34	€ 1.37	€ 2.95	€ 15.25

Table 4. **Induced impact per one non-resident**

Expense type (average)	Cēsis	Rēzekne	Liepāja
Lodging	€ 0.32	€ 1.27	€ 2.95
Café	€ 8.47	€ 5.69	€ 6.34
Indirect and other spending	€ 2.04	€ 1.09	€ 1.71
Total induced impact per one non-resident attendee (excluding transport)	€ 10.83	€ 8.05	€ 11.00

Transportation and lodging

Cēsis has the highest proportion of non-resident attendees, namely 84% of the total number of attendees are non-residents. Cēsis also distinguishes itself with the highest proportion of Rigans amongst their visitors; this fact is highly correlated with the proximity to Riga. Yet Cēsis seems to lag behind in terms of attracting spectators living farther away, while Rēzekne is a leader in this position, as their attendees have driven the longest distances to come to the event.

Rēzekne truly serves as a hub for attendee attraction, especially from various distant spots in Latgale. While conducting interviews in Rēzekne people often admitted that the concert hall served for them as a place to get together while enjoying culture. This effect also can be explained by comparatively small other alternatives of culture supply besides Daugavpils, which is less conveniently located, while Rēzekne is in the heart of Latgale region.

Yet Liepāja is quite close in this parameter to Rēzekne. This could be explained by both the increased audience interest about the concert hall in its first year of operation, as well the fact that Liepāja is a convenient destination for Lithuania's inhabitants. Especially, those from Palanga and Kaunas, the Lithuanian attendees surveyed shared the knowledge of the Russian language.

What concerns lodging the attendees often pointed out that they were staying with relatives, yet people tended to use lodging services of hotels and guest houses as well. It is especially pronounced in the cities which are farther from Riga – Rēzekne and Liepāja. The higher expenditure on lodging in Liepāja rather than Rēzekne might be explained by the higher prices in Liepāja, some distortion might as well have been created by the data obtained at the first Christmas day event as people tend to spend more during holidays. Also, the fact that Liepāja has much more to offer besides the concert hall (for example, the vast seashore, theatre, active night life and many cafes) also make tourists to fall for the bait and stay for longer.

The characteristics common for all the concert halls concerning transport is firstly, use of private cars. This can be explained by the fact that public transportation is scarcely available especially in the late hours after the events. However, during the survey process seniors, who travel in groups, admitted they typically rented a bus. There are also three tourism agencies that offer their services to conveniently attend the events.

Spending on cafes

Cēsis Concert hall attendees spend the most on cafes – 8.47 EUR out of 10.83 EUR of total average spending in addition to transportation and tickets (see Table 3). This could be both explained by the larger variety of cafes available in the premises of Cēsis Concert hall. Those cafes are well prepared to serve the increased inflow of attendees during the twenty-minute intervals. In comparison, in Rēzekne both administration and attendees during the survey have expressed dissatisfaction with the cafe located in the concert hall premises. Another reason for higher spending on cuisine in Cēsis may be differences in purchasing power. These differences stem from higher net average income in Vidzeme as compared to Latgale. The proximity to Riga could also further boost price variation.

On daily basis Liepāja Concert hall hosts one cafe and sometimes, mainly for larger events, one pop-up cafe. Many non-residents also tend to go to other cafes in proximity to the concert hall, which is convenient as the concert hall is located in the old town of Liepāja. Yet it should be taken into account that obtaining accurate data on spending in the cafes has proven to be very complicated, therefore the results reflect more the attendee expected expenditure in cafes rather than precisely the actual one.

Indirect and other spending

Indirect spending in the framework of EIA consists of expenses which arise due to the attendance of the cultural event. Indirect expenses include cost for hairdresser, babysitter, new clothing bought for the occasion and additional expenses arising during the trip to the concert hall [Raabová 2014]. Here again leader is Cēsis, driven arguably by higher purchasing power and the influence of Rigans. Most commonly used services were babysitter services (mainly to relatives), coffee or snacks during the trip, as well as alcoholic beverages (for younger audiences).

As regards other spending, such as CDs, souvenirs and concert brochures, people spend the most on these in Liepāja Concert hall (see Table 4). Other expenses seem to be highly sensitive to the type of the event, prices and their availability elsewhere.

Total induced impact

In sum, Liepāja Concert hall by a small margin is the leader in the attendee spending (see Table 5) creating 436,709 EUR contribution to the local economy.

Table 5. **Total induced impact (EUR, 2016)**

	Cēsis	Rēzekne	Liepāja
Total attendees	43,272	73,621	64,681
Incl. non-residents (estimated)	36,489	53,574	39,469
Non-resident spending, i.e. induced impact (estimated)	€ 395,179	€ 281,284	€ 436,709

Although Liepāja Concert hall had a similar individual spending, its results were boosted by a high total number of attendees, therefore higher number of non-local attendees, which might be boosted by the first year of operation and greater interest from culture enthusiasts to see the impressive new building and to assess its acoustic quality. Another aspect to consider is displacement and substitution effect we can observe in case of Liepāja. The Concert hall is one of just many cultural and free-time attractions in Liepāja; thus, some part of the expenditure on Liepāja Concert hall is shifted from one attraction to another, instead of being created to the local economy. The data on spectator numbers in Liepāja Theatre over the last five years provide some evidence to this claim (see Figure 2). Although the drop-in attendee number does not provide conclusive evidence that the substitution effect has taken place, since data fluctuations have been witnessed previously, too, the drop from 2015 to 2016 is considerable and gives strong reason to believe such effect exists in the case of Liepāja.

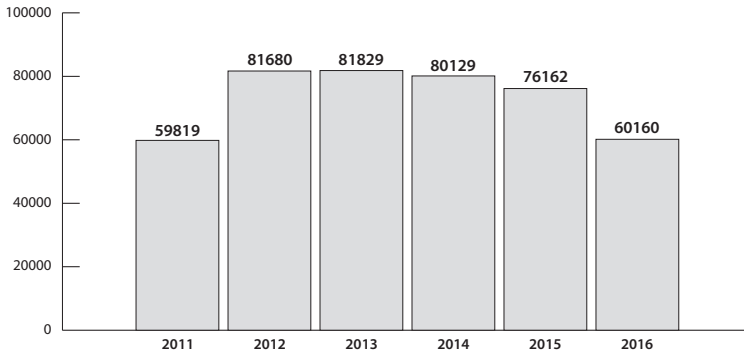


Figure 2. Number of attendees over the past six years in Liepāja Theatre (displacement effect proof).

Cēsis Concert hall as for induced impact generated 395,179 EUR in 2016, while Rēzekne Concert hall – 281,284 EUR. These concert halls operate for a number of years and provide reasonable scope for comparison. Firstly, Cēsis has higher proportion of non-resident attendees, namely 84% compared to 72% in Rēzekne; this correlates with the number of inhabitants in these cities as well as with the proximity to Riga, where Cēsis is a much smaller city as well as way closer and more conveniently accessible to Rigans. Admittedly, the differences in purchasing power due to varying income levels (which are comparatively the lowest in Latgale region) mean that spending in Rēzekne might be undervalued.

When considering the attendee profile as such it is clearly distinguishable that Cēsis non-resident attendees spend the most on cafes and other indirect purchases while living to greater proximity to the concert hall, Rēzekne visitors cover the longest distances to arrive to the events while economizing on indirect and other spending; finally, in Liepāja attendees spend comparatively more on lodging and by a small margin is the leader in the attendee spending (see Table 6).

Table 6. **Attendee profile by place of residence**

	Cēsis	Rēzekne	Liepāja
Proportion of non-resident attendees	84%	72%	61%
Number of inhabitants of home economy	18,717	31,216	78,144
Share of Rigans in the total number of attendees (%)	18%	9%	12%
Distance from Riga	88 km	240 km	218 km
Average expenditure on transportation for non-residents	€ 3.07	€ 5.09	€ 4.25
Average lodging expenses	€ 0.32	€ 1.27	€ 2.95

Conclusion

The author has measured the induced impact that stems from non-resident attendee consumption habits in each of the newly constructed concert halls for 2016 by partially applying the economic impact assessment method.

The author finds that the induced impact created in 2016 in Liepāja was 436,709 EUR, in Cēsis 395,179 EUR and in Rēzekne 281,284 EUR (see Table 5). These numbers embody the economic activity and contribution of non-resident attendees have brought to each of the home-economies and serve as proof to culture tourism benefits to local economies. The multifunctional concert hall web proves to be a great way to promote equal accessibility and diversification of culture throughout Latvia, while in the meantime attracting cultural tourists and additional funds to the region.

In addition, the distinction between attendee profiles in each of the concert hall creates a great base for further and better targeted attendee attraction. The strategies could variate from concentrating on the current traits of the non-resident attendees and just targeting some of them. On the contrary, management may wish to focus on the weakest points and develop a strategy that aims to improve them, while maintaining good partnership with the attendee base.

This paper has enabled culture functionaries to ascertain that the multifunctional concert hall web clearly has reached at least some of the aims it was created for, for example, promoting equal accessibility and diversification of culture throughout Latvia. This is marked by the huge distances that people are willing to travel to get to one of the concert halls, as well as the variety of events and functions the concert halls provide. While such aims embedded in the strategic pillars of concert halls as equal development and quality of culture throughout Latvia should still be researched from the standpoint of sociology rather than economic view. Moreover, this research could serve as a basis for repeated studies that would enable to observe culture tourist profiles and spending habits over time.

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