

4-15-2014

American Orchestras and their Utilization of Mobile Technology for Increasing Revenue

Derek Hawkes

Southern Methodist University, hawkes.derek@yahoo.com

Follow this and additional works at: https://scholar.smu.edu/upjournal_research

Recommended Citation

Hawkes, Derek, "American Orchestras and their Utilization of Mobile Technology for Increasing Revenue" (2014). *Collection of Engaged Learning*. 88.

https://scholar.smu.edu/upjournal_research/88

This document is brought to you for free and open access by the Engaged Learning at SMU Scholar. It has been accepted for inclusion in Collection of Engaged Learning by an authorized administrator of SMU Scholar. For more information, please visit <http://digitalrepository.smu.edu>.

American Orchestras and their Utilization of Mobile Technology for Increasing Revenue

**An SMU Engaged Learning Project
by Derek W. Hawkes ('14)**

**Dr. Maria A. Dixon, Mentor
15 April, 2014**

Abstract

The purpose of this research was to gather data from the largest American symphony orchestras that maintain readily-available mobile applications. Specifically researched are the sets of data regarding revenue intake. Our hope was to assess the utilization of mobile technology in order to establish grounds for determining return-on-investment (ROI). However, the data collected revealed that American orchestras are not properly recording effective measurements to the extent that ROI analysis is possible.

Relevance

Classical music performance organizations have struggled recently more than ever before in terms of fiscal stability. The same can be said for several other performing art forms as well; ballet companies, operas, and orchestras have suffered fiscal troubles so severe over the past two decades especially that several institutions once considered international icons of classical culture (i.e., New York City Opera, Philadelphia Orchestra) have either declared bankruptcy,¹ gone out business,² or some

¹ Daniel J. Wakin, "Details Emerge of an Orchestra's Bankruptcy Plea," *New York Times*, 20 April 2011. <http://www.nytimes.com/2011/04/21/arts/music/philadelphia-orchestra-papers-give-bankruptcy-details.html> (accessed April 4, 2014). NYT article thoroughly illustrating the figures behind the Philadelphia Orchestra's filing for Chapter 11 bankruptcy protection in 2011.

² Adam Martin, "Cash-Strapped New York City Opera Is Closing After 70 Years," *New York Magazine*, 1 October 2013. <http://nymag.com/daily/intelligencer/2013/10/new-york-city-opera-is-closing-after-70-years.html> (accessed April 4, 2014). A local New York article marks an emergency fundraising failure, and covers the announcement that the New York City Opera would be shutting down completely.

combination thereof. Many orchestras try to combat issues of aging audiences by establishing young professionals societies, offering performances of more widely-accessible repertoire, and/or attempting to reach a younger demographic by making their product available through contemporary technological mediums. Orchestras are not alone in this third endeavor; non-profits in multiple industries are putting more time, money, and manpower in initiatives to build up substance and outreach with internet and mobile technology.³ It stands to reason that this is a valid tenant of a logical long-term strategy; with the marketplace for smartphone purchasing and usage increasing year by year, multiple generations are now depending on the devices as one of their main sources of communication and entertainment consumption.⁴ As this number grows and these people move toward demographics more suited for typical orchestral subscribership and philanthropy, building the base of a long-term connection between the smartphone user and orchestra now stands to benefit these organizations for as long as the population continues to use these devices.

Therefore, an analysis of the current state of mobile technology utilization by American orchestras would directly serve the long-term interests of orchestral administrations.

³Administrator, "More Nonprofits Preparing For Mobile," *The NonProfit Times*, 8 April 2014. <http://www.thenonproffitimes.com/news-articles/more-nonprofits-preparing-for-mobile/> (accessed April 8, 2014). A blog compiles research regarding methods used by non-profit organizations to react to the changing (namely growing) use and potential of mobile technology.

⁴ Super Monitoring, "State of mobile 2013," *Super Monitoring*, 23 September 2013. <http://www.supermonitoring.com/blog/2013/09/23/state-of-mobile-2013-infographic/> (accessed April 4, 2014). An infographic research piece created by Super Monitoring provides rich information about the massive growth in smartphone usage, as well as what smartphones are being used for.

Original Framework

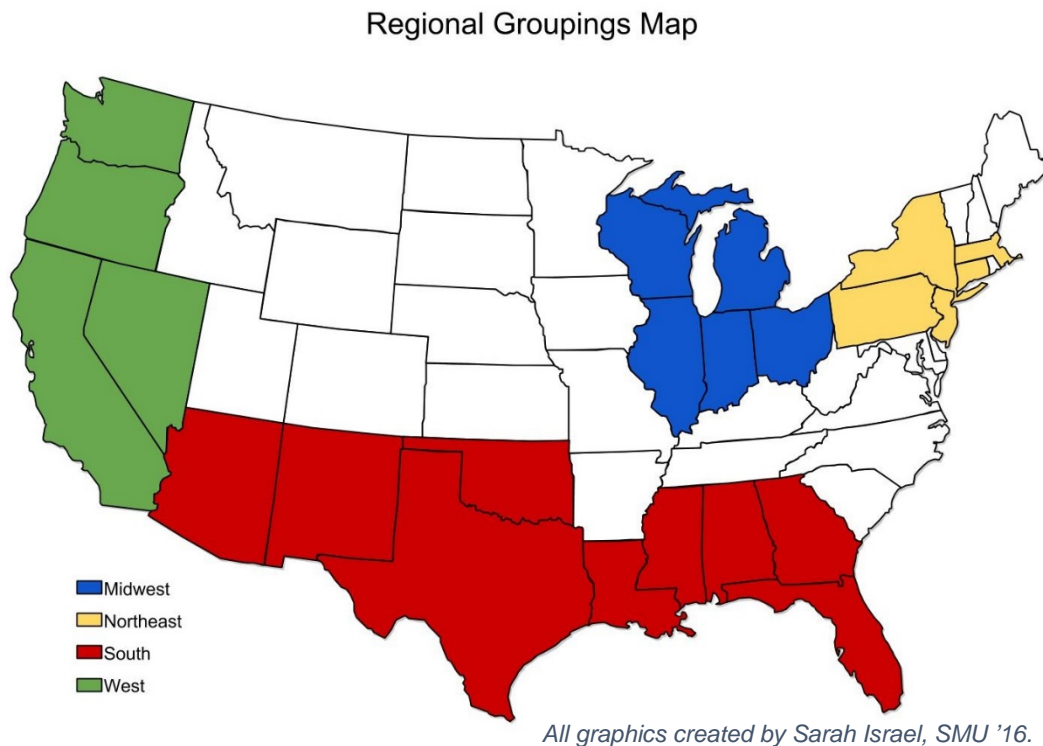
The original aim of this research was to analyze the practices of orchestras that offered mobile applications, and format a comprehensive list of best practice techniques. The end goal was the creation of such a list that could offer proven suggestions available for use not only by orchestras, but that also could be taken advantage of by other arts non-profits. Toward that end, a primary emphasis of this study was the correlation between mobile applications and direct revenue acquisition. Mobile technology has high potential for being very effective as a marketing device, and its use by orchestras seems to be aimed more in that direction. But such concerns were beyond the scope of this more quantitatively-focused study. Therefore, the two most visible methods for orchestras to acquire funds via mobile technology remain within ticket sales and collected donations.

Methodology

Fourteen (14) orchestras from across the United States were originally contacted about this study. The criteria for selection were as follows:

1. The organization had to be known on a national scale as one of high artistic stature.
2. The organization had to have an annual budget size of over \$10 million.
3. The organization had to be utilizing a mobile application at present.

Because anonymity was promised to every participant orchestra following IRB standards of ethical research, the fourteen orchestras were separated into four regions: Northeast (4), Midwest (4), South (3), and West (3).



It should be noted that in the above map, at least one state that did not have a participant orchestra was added to each region to further protect the anonymity of the organizations. All states without a noted color did not have a participant orchestra.

Organizational contacts included Marketing and IT staff, and were reached out to between July 2013 and March 2014. Depending on the age of the application, the scope

of the data request covered only the periods during which the application was in operation, up to a three-year maximum. The specific data points requested were:

- Earned income via ticket sales
- Donated income
- Percentage of application users that took part in a transaction

Response

The total response rate was 71% response rate; this meant either a pledge of data submission was given, or data was indeed submitted. 57% of the organizations actually submitted data, even if the data was not in line with the requests or was incomplete; in many of these instances, the application was much more focused on marketing initiatives than revenue acquisition. Only 35% of the contacted organizations submitted data that was directly relevant to the scope of the request, and overall study. All of the above percentages have been rounded.

Below are tables displaying the figures from the organizations that submitted viable data:

Midwest 1	Revenue From Application (USD)	Orders Placed Via Application	Ticket Sales Via Application (number of individual tickets)	Donation Revenue From Application (USD)
2012-2013	\$24,754.50	348	801	\$238.00
2013-2014	\$35,158.00	332	808	\$518.00

Midwest 2	Revenue From Application (USD)
2013-2014	\$3,400.00

Northeast	Monthly Cost of Application (USD)
2013-2014	\$150.00

South	Revenue From Application (USD)	Ticket Sales Via Application (number of individual tickets)
2012-2013	\$9,974.00	237
2013-2014	\$42,782.00	798

West	Revenue From Application (USD)	Orders Placed Via Application	Ticket Sales Via Application (number of individual tickets)	Annual Vendor Cost (USD)
2011-2012	\$92,124.25	736	1631	\$10,740.00
2012-2013	\$181,649.30	1364	3067	\$10,740.00
2013-2014	\$3,220.00	21	46	\$10,740.00

It should be noted that all given years are indicative of concert seasons, meaning all 2013-2014 seasons are still in progress. Also, unless indicated additionally with a "Donation Revenue" title, all "Revenue From Application" figures derive strictly from ticket sales.

Analysis of Viable Data

Several conclusions can immediately be reached from viewing the five above tables. The most apparent is the vast difference across organizations regarding the depth and even categories of data recorded. Only two of the orchestras record the cost of maintenance for the application, and one of those is unable to record income at all. Another orchestra records only the gross revenue, without detailing the number of tickets sold or total transactions to comprise said figure. Only one of the orchestras successfully records both cost and revenue gained from their application, and the cost only details funds given to a third-party vendor to design and maintain the framework of the app; human resource costs are not recorded.

It is worth including a brief note about the structure of the applications' maintenance. Only one of the fourteen applications was entirely created and maintained in-house by the orchestra's staff. This is likely the most effective way to calculate the costs associated with the application's operation, due to the direct oversight of personnel. It also allows the organization the maximum control over the look, software, and material presented. Given the fact that nearly every single one of the organizations in this study had active IT and Marketing personnel, this would be an ideal practice for most orchestras with mobile technology to adopt.

Larger Implications, and Call to Action

Essentially, with only cost or revenue recorded, essentially every single one of these orchestras is running on one-axis data documentation practices. Without the

ability to measure these two basic data points against each other, there is no valid claim that there are grounds at present for completely and assuredly determining the profitability of these applications, nor effectively analyzing return-on-investment. At a time when nearly all of the orchestras in this country (and the largest ones very much included) are facing some sort of pressing financial issue, the well-meaning nature and thoughtfulness of new initiatives does not excuse an expenditure of valuable fiscal and human resources that lacks effective data recording practices as statistical validation. Mobile technology takes advantage of a marketplace that continues to saturate internationally at remarkable rates, and certainly carries notable possibilities for orchestras accessing more and more of the population with ease and fairly low cost. Yet for the time being, to continue to spend potentially very significant resources rather blindly when there are no recording standards across organizations is an inappropriate professional maneuver that disadvantages each of the orchestras so involved. The fact that only a single one of the fourteen contacted organizations has moderately two-axis recording techniques in place is the dangerous underlying theme to the entire practice of orchestral administrations maintaining mobile technology.

Perhaps it would be to the benefit of this already-struggling industry to have a central clearinghouse organization set standards for, gather, maintain, and publish such figures. The orchestras' union, the American Federation of Musicians (AFM), as well as the International Conference of Symphony and Opera Musicians (ICSOM), are two organizations that immediately come to mind. These associations have constant contact with nearly all of the major orchestras in the United States, and both currently collect data from orchestras in other categories. The time has come where the practice of

mobile technology has grown too large across the United States' orchestras for all associated organizations to continue to ignore this issue.

Works Cited

Administrator. "More Nonprofits Preparing For Mobile." *The NonProfit Times*. 8 April 2014. <http://www.thenonprofittimes.com/news-articles/more-nonprofits-preparing-for-mobile/>. Accessed April 8, 2014.

Martin, Adam. "Cash-Strapped New York City Opera Is Closing After 70 Years." *New York Magazine*. 1 October 2013. <http://nymag.com/daily/intelligencer/2013/10/new-york-city-opera-is-closing-after-70-years.html>. Accessed April 4, 2014.

Monitoring, Super. "State of mobile 2013." *Super Monitoring*. 23 September 2013. <http://www.supermonitoring.com/blog/2013/09/23/state-of-mobile-2013-infographic/>. Accessed April 4, 2014.

Wakin, Daniel J. "Details Emerge of an Orchestra's Bankruptcy Plea." *New York Times*. 20 April 2011. <http://www.nytimes.com/2011/04/21/arts/music/philadelphia-orchestra-papers-give-bankruptcy-details.html>. Accessed April 4, 2014.