



ADVISORY
BOARD
for the ARTS

Transforming Arts Organizations Worldwide

Arts Industry Health Overview 2023

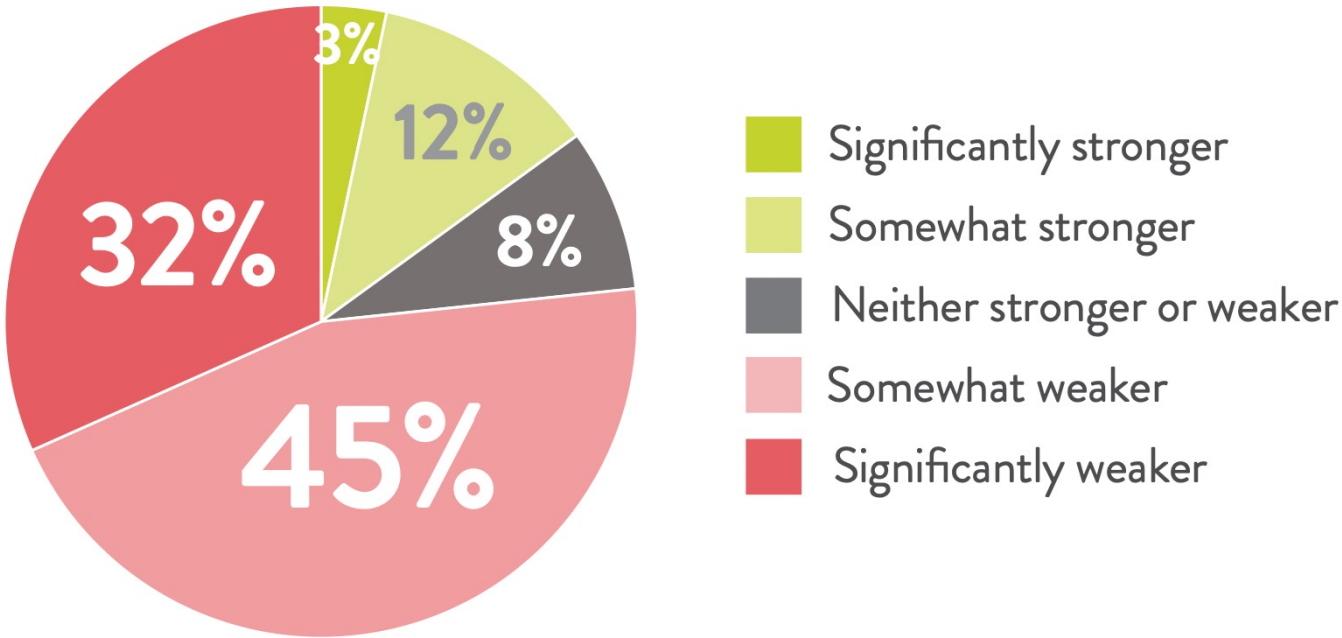
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Industry Health Outlook

Majority of Polled Arts Organizations Sensing a Weaker Arts Sector

When asked to assess the current strength of the arts sector, arts leaders surveyed in a poll fielded in April 2023 indicated that there is a general pessimism in the strength and health of the industry overall.

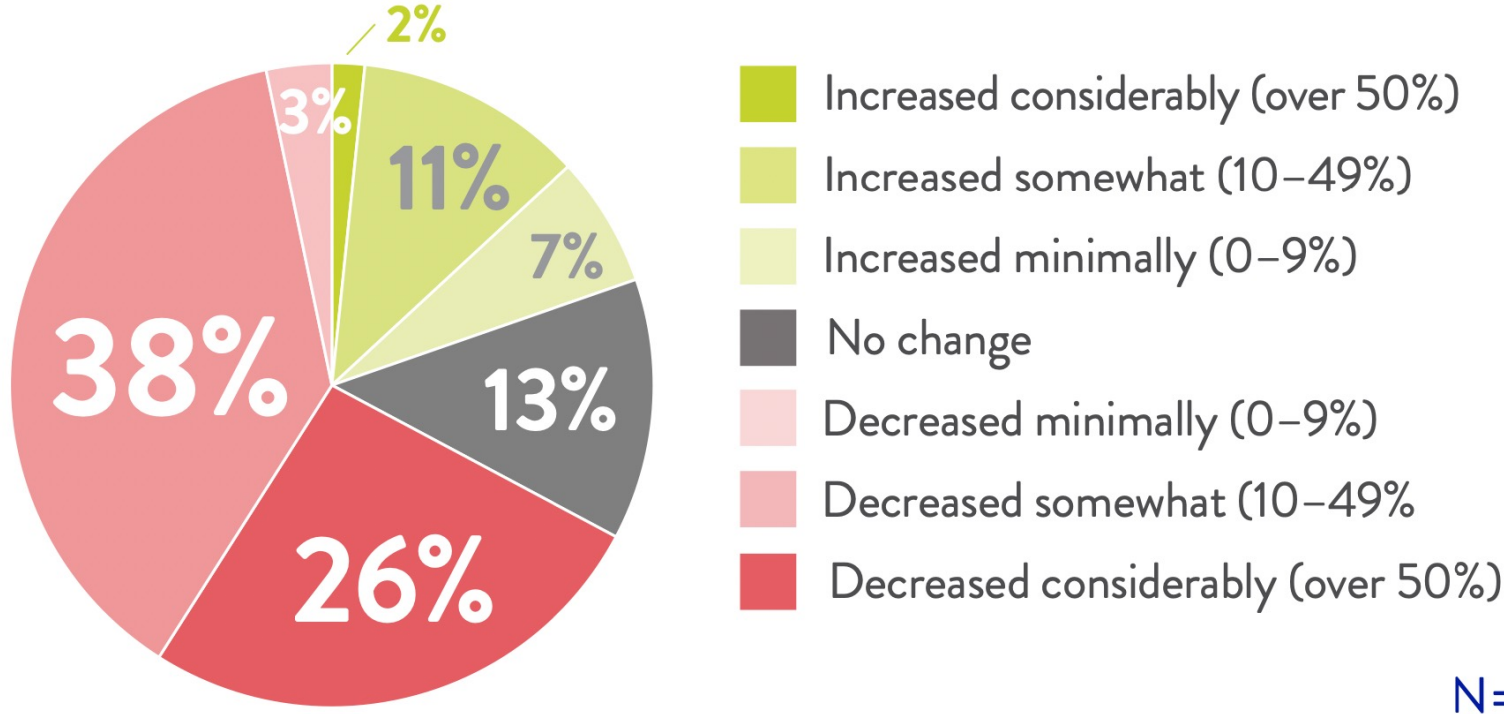
Strength of Arts Sector Currently v. Pre-Pandemic (2019)



N=60

More Organizations Experiencing Budget Decrease than Increase

% of FY23 Budget From Earned Income In Current FY23 Budget v. Pre-Pandemic (2019)



Across Major U.S. Cities, Difficulty Filling Halls

ENTERTAINMENT

Philly arts groups struggle to fill concert halls and theaters

Arts groups fear the pandemic has taken a permanent bite out of audience numbers



The Kimmel Center and the logo for Avenue of the Arts on a light-pole on South Broad Street in Philadelphia.

Tom Gralish / Staff Photographer

March 01, 2023 05:45 AM

Chicago's cultural comeback is falling short

BRANDON DUPRÉ

EMAIL SHARE TWEET IN SHARE



Courtesy the Goodman Theatre

The Goodman Theatre livestreamed its production of "Ohio State Murders" in June 2021 as a way to keep its audience engaged and its workers employed amid pandemic closures.

Colorado arts attendance may never fully recover from pandemic shutdown

Denver performing arts groups say attendance is routinely 20-50% lower than pre-pandemic levels

By JOHN MOORE john.moore@denvergazette.com Feb 28, 2023 Updated 29 min ago

The Met down 1.7 million visitors compared to pre-pandemic level—the biggest drop of any US art museum

The New York institution, usually the most popular art museum in the US, was overtaken in 2022 by the National Gallery of Art in Washington, DC



The Metropolitan Museum of Art in New York

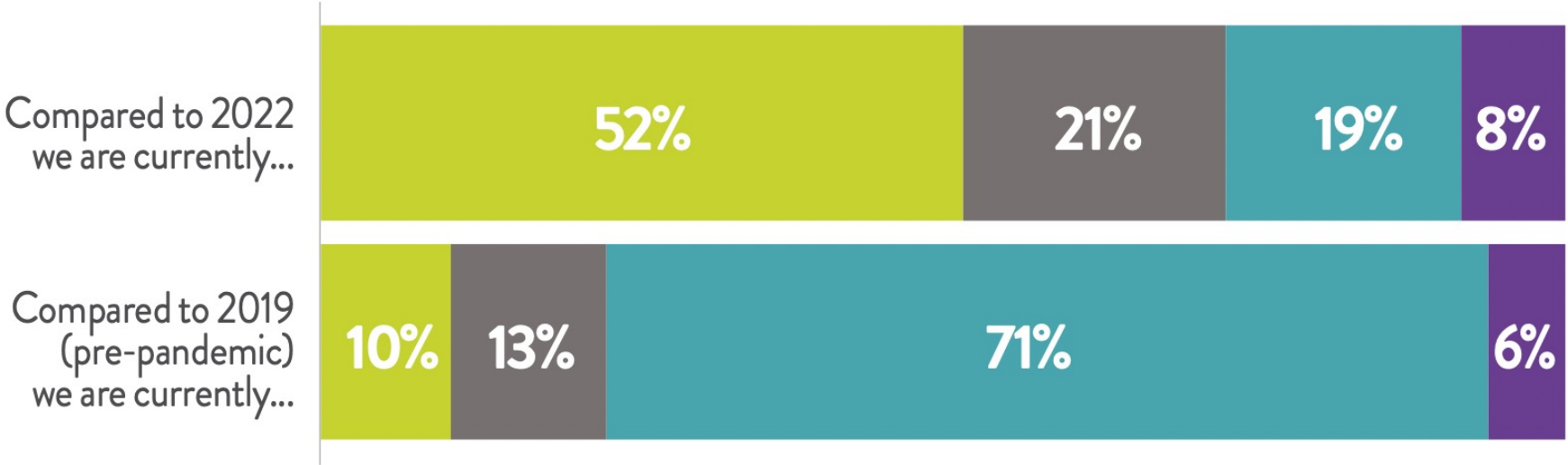
© Rawf8

Subscriptions Have Not Recovered From Pandemic Disruption

Despite 2023 subscription sales starting off stronger than 2022, there is still a noticeable gap in number of subscriptions sold this year than in 2019 – with 71% of organizations reporting their numbers as behind pre-pandemic (which was already in a gradual decline).

Current Subscription Sales v. 2019 and 2022

Ahead On-Track Behind Not sure

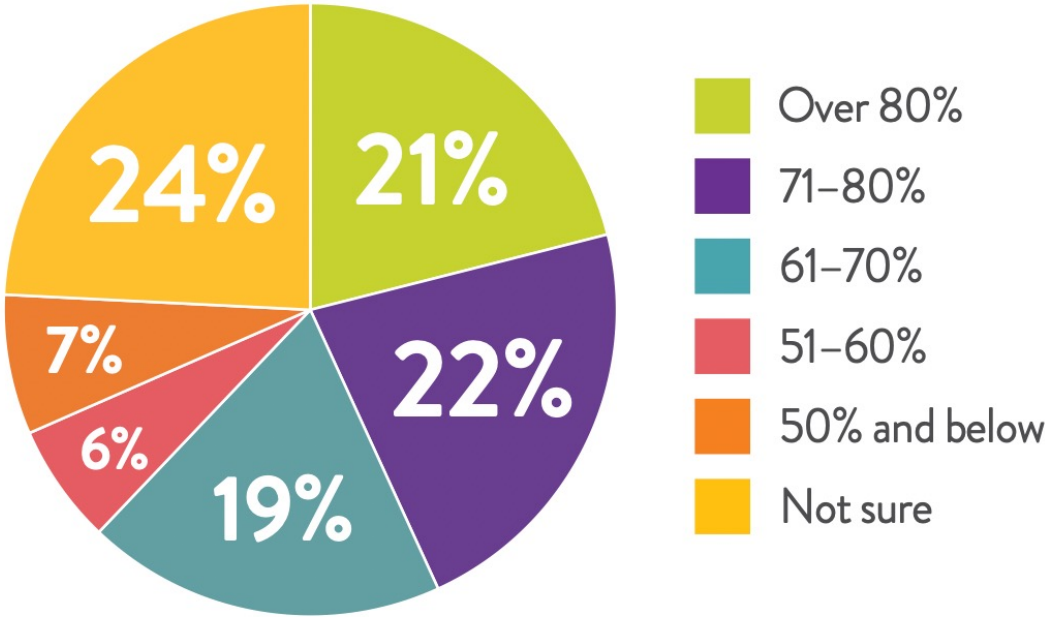


N=96

Subscription Renewals Unsteady Between 2022 & 2023 Seasons

In addition to the pandemic-related drop in overall subscription sales, many arts organizations have experienced a worrisome drop in renewals between the two most recent seasons. Over half of arts organizations surveyed in April 2023 reported subscription renewal rates under 80%.

% of 2022 Subscribers Who Renewed Subscriptions for 2023 Season

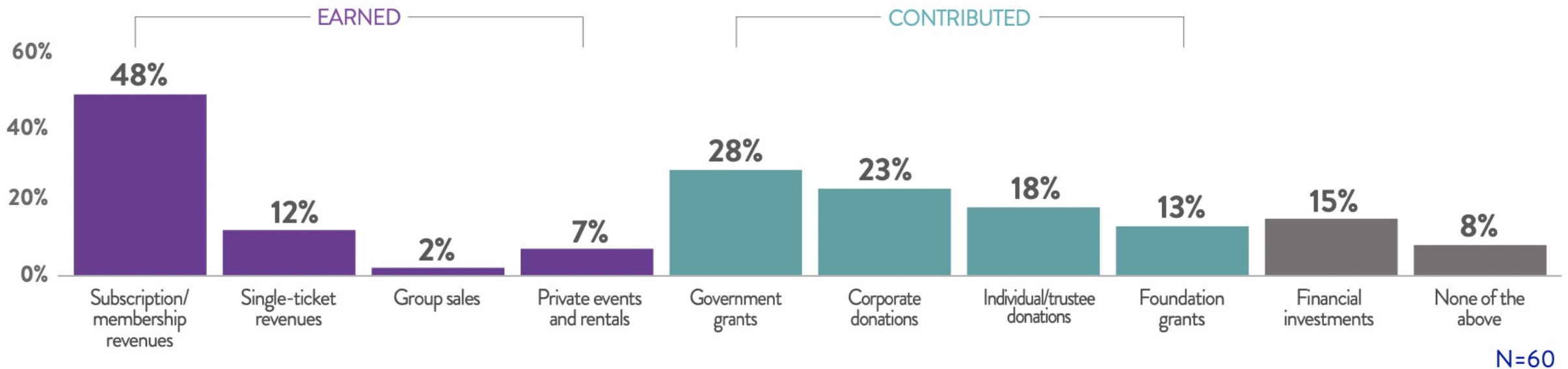


N=95

Arts Leaders Therefore Most Concerned About Subscription Revenue

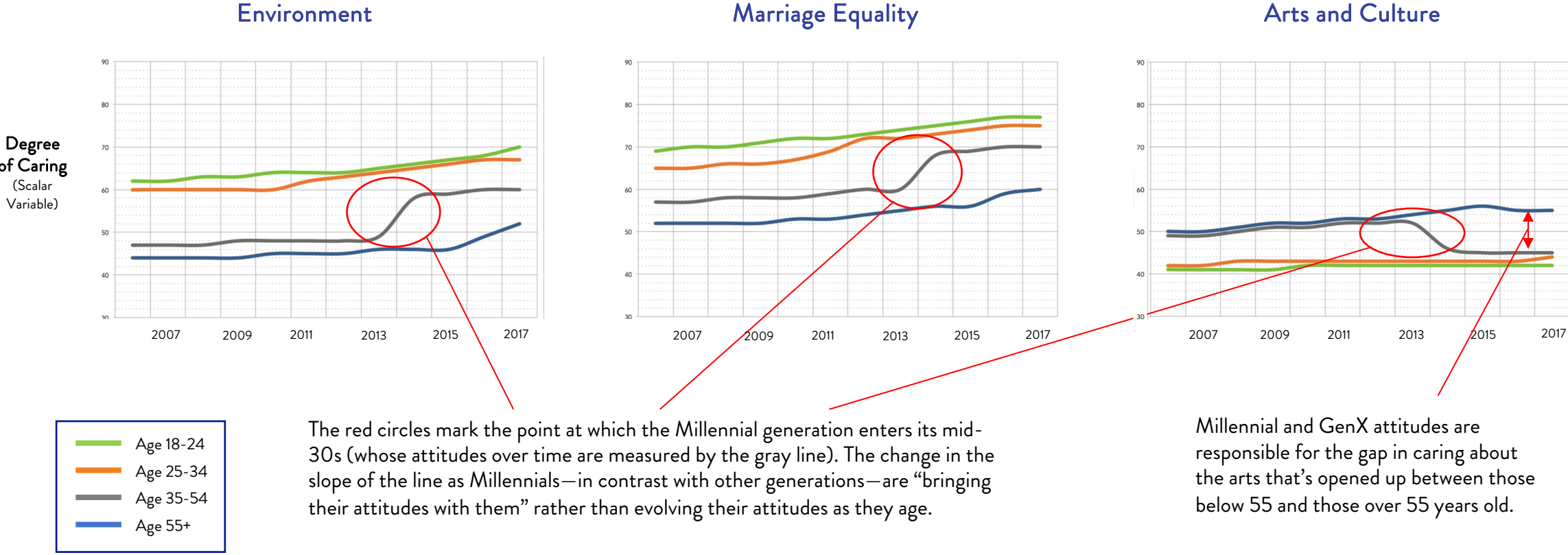
Alongside subscription/membership revenues, arts leaders polled in April 2023 indicated concern for levels of government and corporate funding incoming for the following fiscal year. Single tickets and group sales were of less concern.

Top 2 Revenue Sources Anticipated to Decrease the Most in Value in FY24



Long-Term Concern that Young People Not Maturing into Arts Supporters

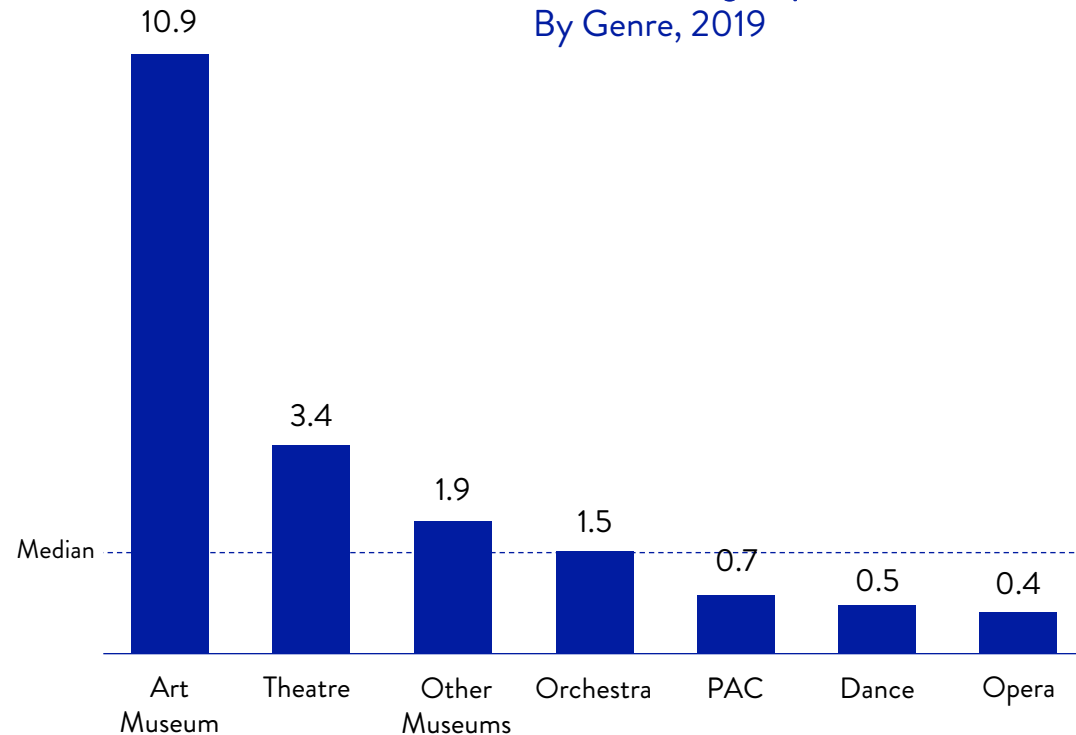
Priorities by Age Cohort – 2006 to 2017



Most Organizations Have Less Than Three Months of Working Capital

By 2019, working capital levels had declined to very low levels in performing arts organizations. Among cultural organizations, only museums had to comfortably smooth out cash flow bumps arising from predictable business cycles. On average, arts and culture organizations had only about a month and a half of working capital on hand, a number that was inflated by museums, who on average held about 11 months of working capital on hand. These low working-capital levels put organizations in terrible cash positions heading into the pandemic. Only government support and exceptionally generous donors kept many organizations afloat. If working capital levels decline coming out of the pandemic as they did coming out of the Great recession, arts organizations will have major liquidity challenges going forward.

Months of Working Capital
By Genre, 2019

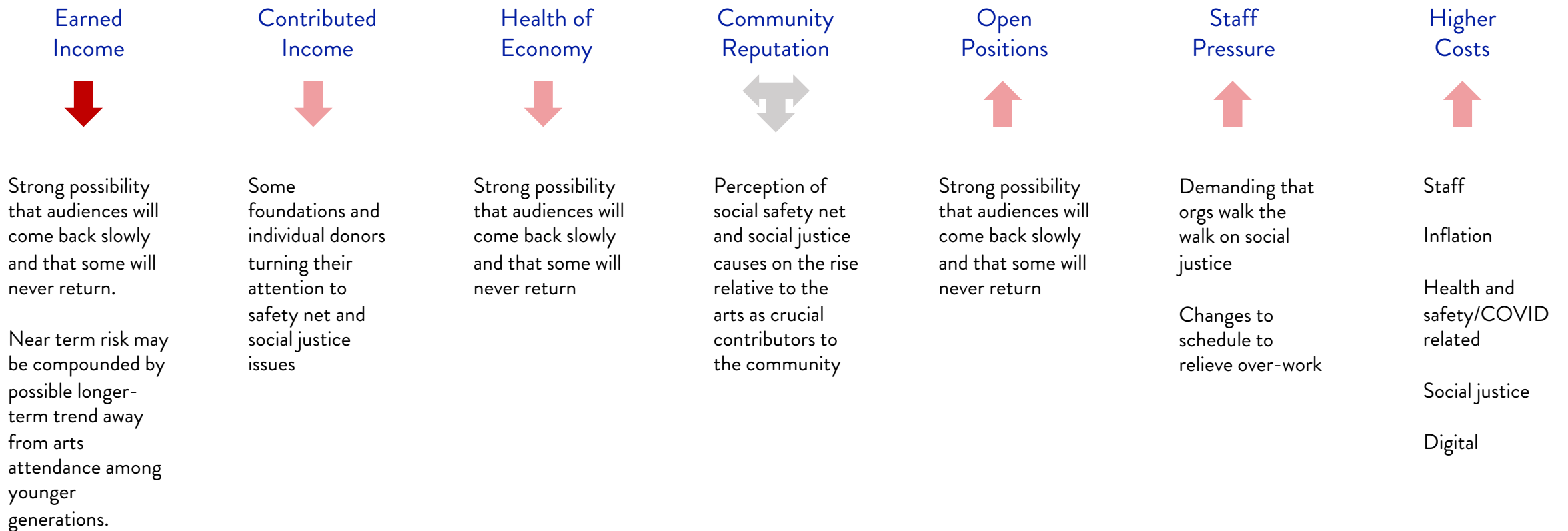


$$\text{Months of Working Capital} = \frac{\text{Unrestricted Net Assets} - \text{Current Liabilities}}{12}$$

Most arts organizations lack the cash to last for even a couple of months needed to find emergency funding in the case of a disruption, not to mention true “rainy day” reserves or set-asides for long-term facilities maintenance.

While Capital Positions Worse, Risks Are Up

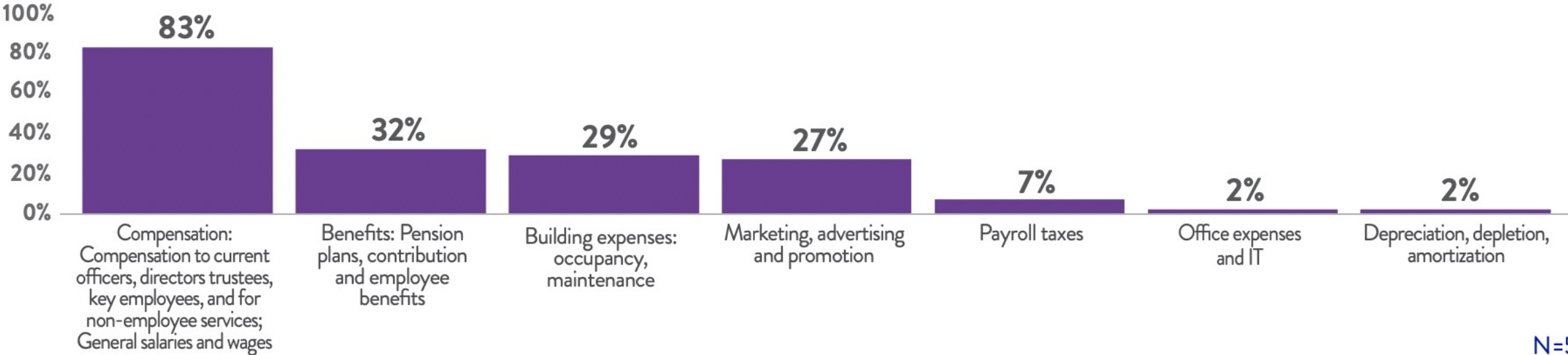
The weakened capital positions of many arts organizations is coming at a time when the operating environment is becoming riskier. The purpose of capital is help organizations manage both operating risks (e.g., external shocks, operational challenges) as well as strategic risks (product experimentation, largescale organizational change), it is in shorter supply at a time when it is likely to be needed more than ever.



Compensation Remains Budget Line Item With Biggest Growth

When asked about predicted functional expense increases, a majority of arts leaders indicated compensation as one of the most likely to increase; benefits administration, building expenses, and marketing costs were all closely thought to be a second top expense.

Top 2 Functional Expenses Expected to Increase the Most as a Proportion of the Budget in FY24



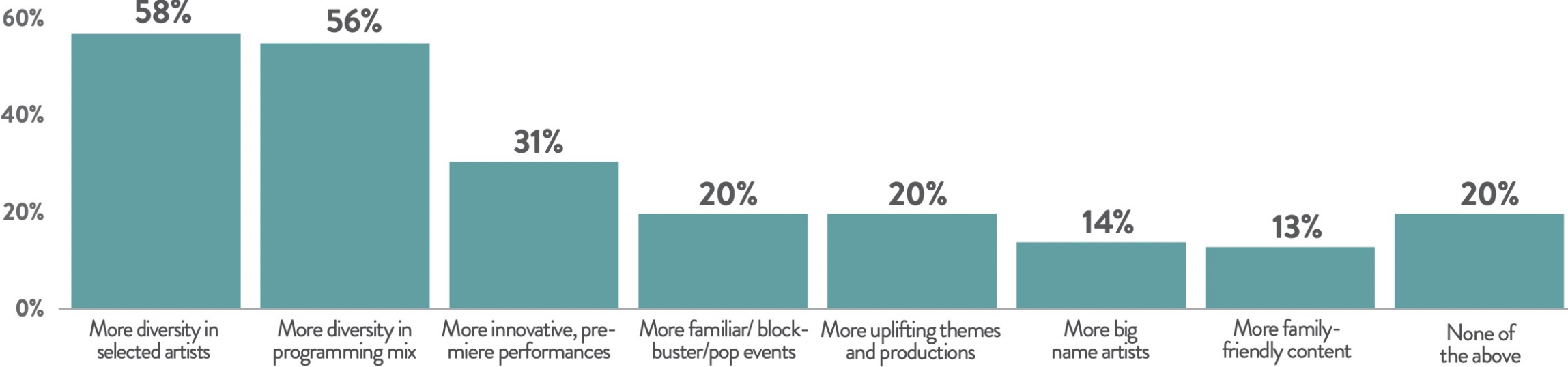
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Response from Arts Organizations

Majority Are Increasing Diversity of Artists and Programming

Arts leaders have a variety of programming options available to consider to increase attendance. The two most popular avenues are an increased diversity of artists and types of programming; in research calls, however, the ABA research team has heard an increased appetite for familiar/blockbuster shows and exhibits.

Changes in Current Season's Programming to Increase Attendance

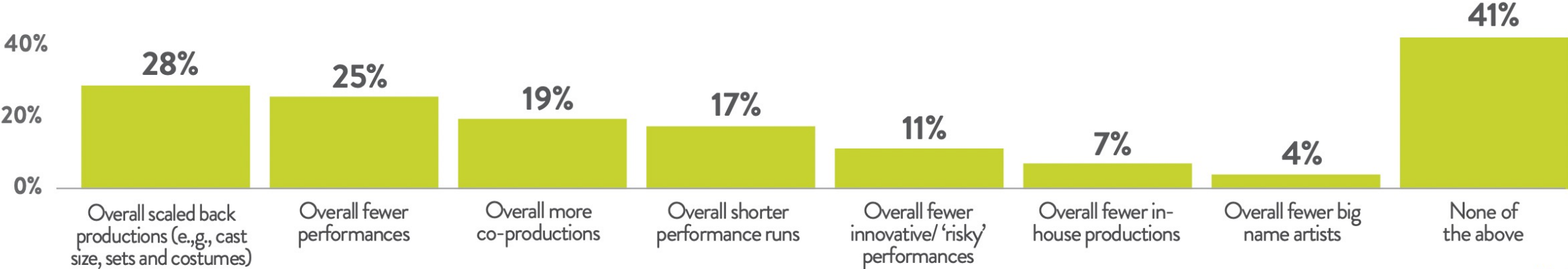


N=85

Size and Scale of Productions Reduced to Combat Lower Budgets

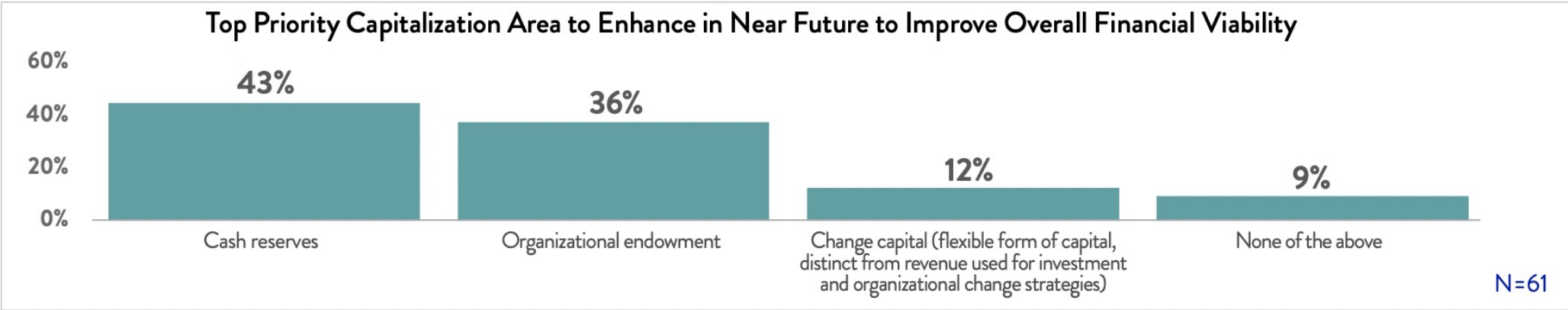
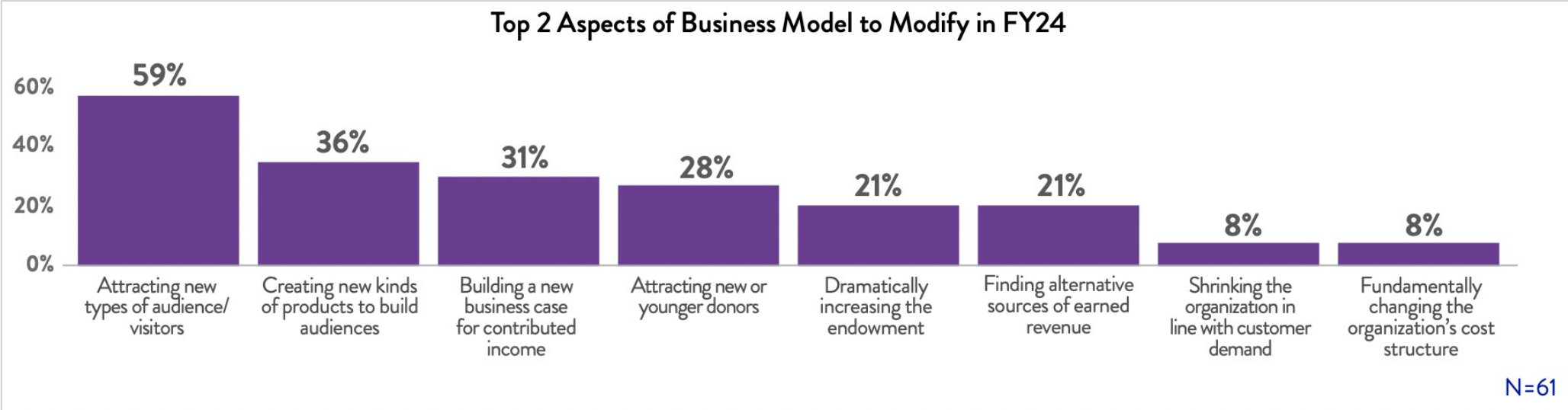
Nearly half of polled arts leaders were not taking concrete steps to change programming in response to restricted budgets. Among those who were, scaling back the size and number of performances were the most common tactics.

Changes in Current Season's Programming to Manage Restricted Budgets



N=81

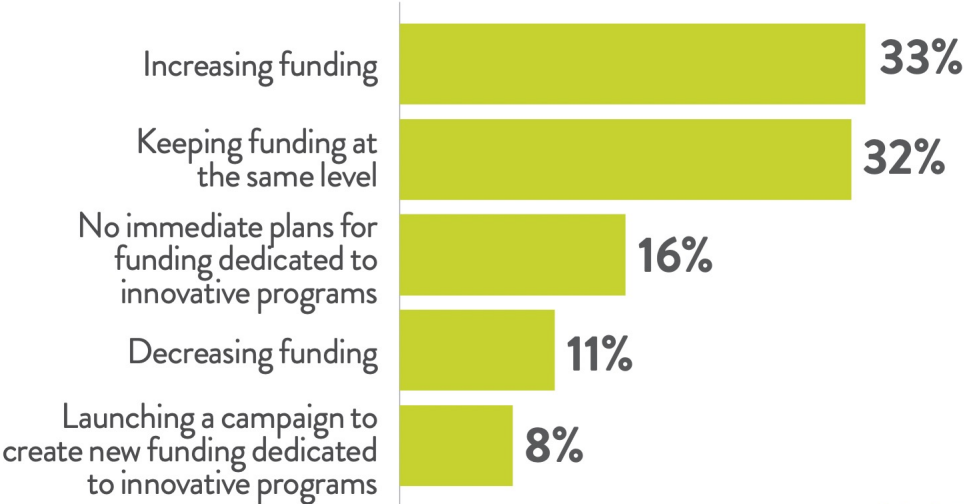
New Audiences & Cash Reserves Largest Focuses of Business Model Changes



Fundraising For Innovative Programs and General Operating Prioritized

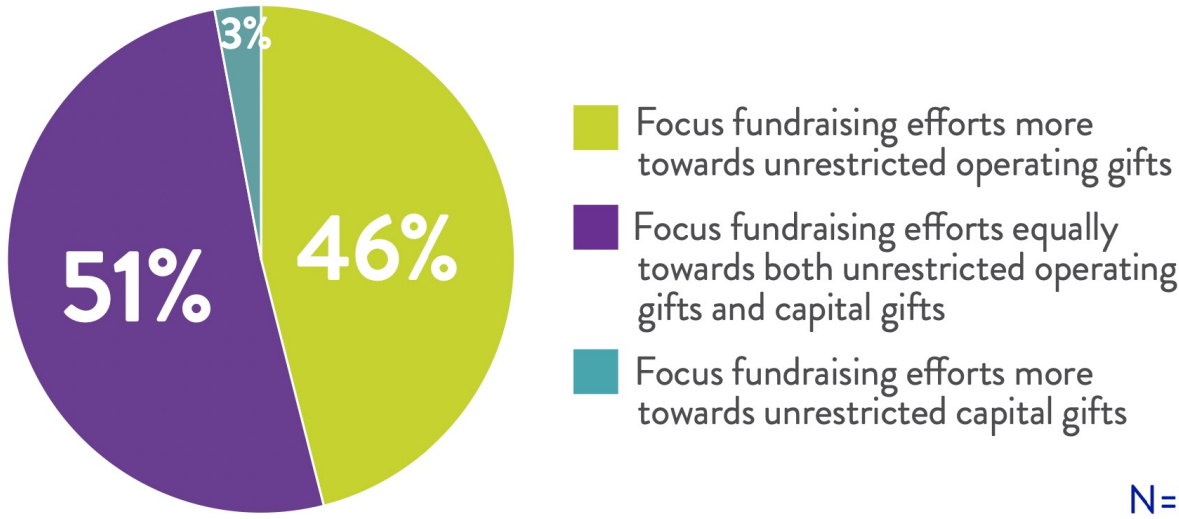
With the need to attract new audience and balance ever-increasing budgets (of which a major line item is compensation) arts organizations are turning their fundraising focus to cover innovative programs and their core operational needs.

Current Funding for Innovative Programs Compared to Previous Years



N=37

Focus of Raising Annual Funds for Immediate Operational Needs v. Long-Term Capital Funds



N=37



Karen Freeman
Executive Director, Research
karen.freeman@advisoryarts.com

Allyson Arnone
Research Manager
allyson.arnone@advisoryarts.com