

# NEMO Money Matters: the Economic Value of Museums

Measuring the value of museums: options, considerations and benefits

11<sup>th</sup> November 2016



# Specific experience

- Economic impact studies of over 60+ organisations in England, Scotland, Wales, Ireland and Australia
  - Festivals, music & performing arts
  - Museums and galleries
- Social Return on Investment (SROI) studies of museum volunteering

## Reviews and guidance:

- national guidance on using economic valuation methods for arts organisations for Arts Council England
- international evidence review of the economic contribution of libraries
- workshops and masterclasses on economic impact for practitioners in the arts in UK



# Why measure economic impact / value?

*Create positive messages*

- Show accountability and local return on investment to existing funders
- Advocate the value of what you do to new investors
- Generate good news stories and publicity for staff, media and general public

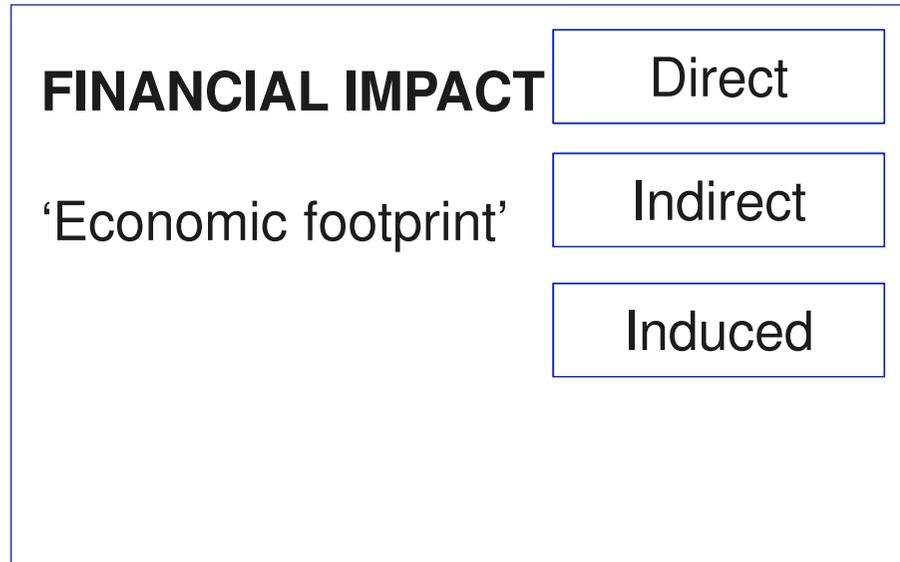
**“We’re worth it!”**

*To guide strategic and management decisions*

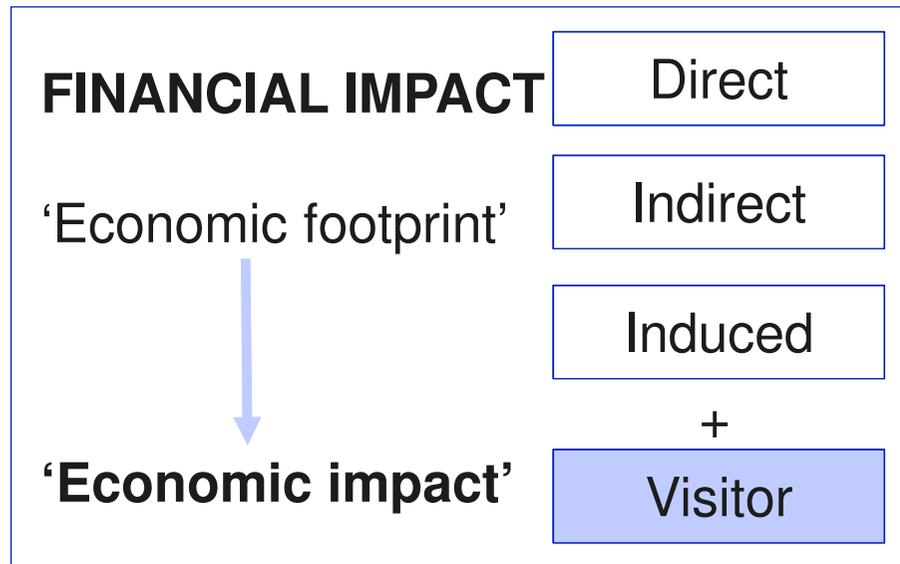
- ✓ Understand how you benefit your local area, and which local parties experience the greatest benefits
- ✓ Understand which elements of your work deliver what benefits, to what level/quantity
- ✓ Rekindle relationships with local cultural organisations, public agencies, local businesses, audiences
- ✓ Plan collaboratively with them how you can maximise your impacts
- ✓ Get insights into your attendees’ behaviour
- ✓ Assess future projects/investments

**“We’re working together in this place”**

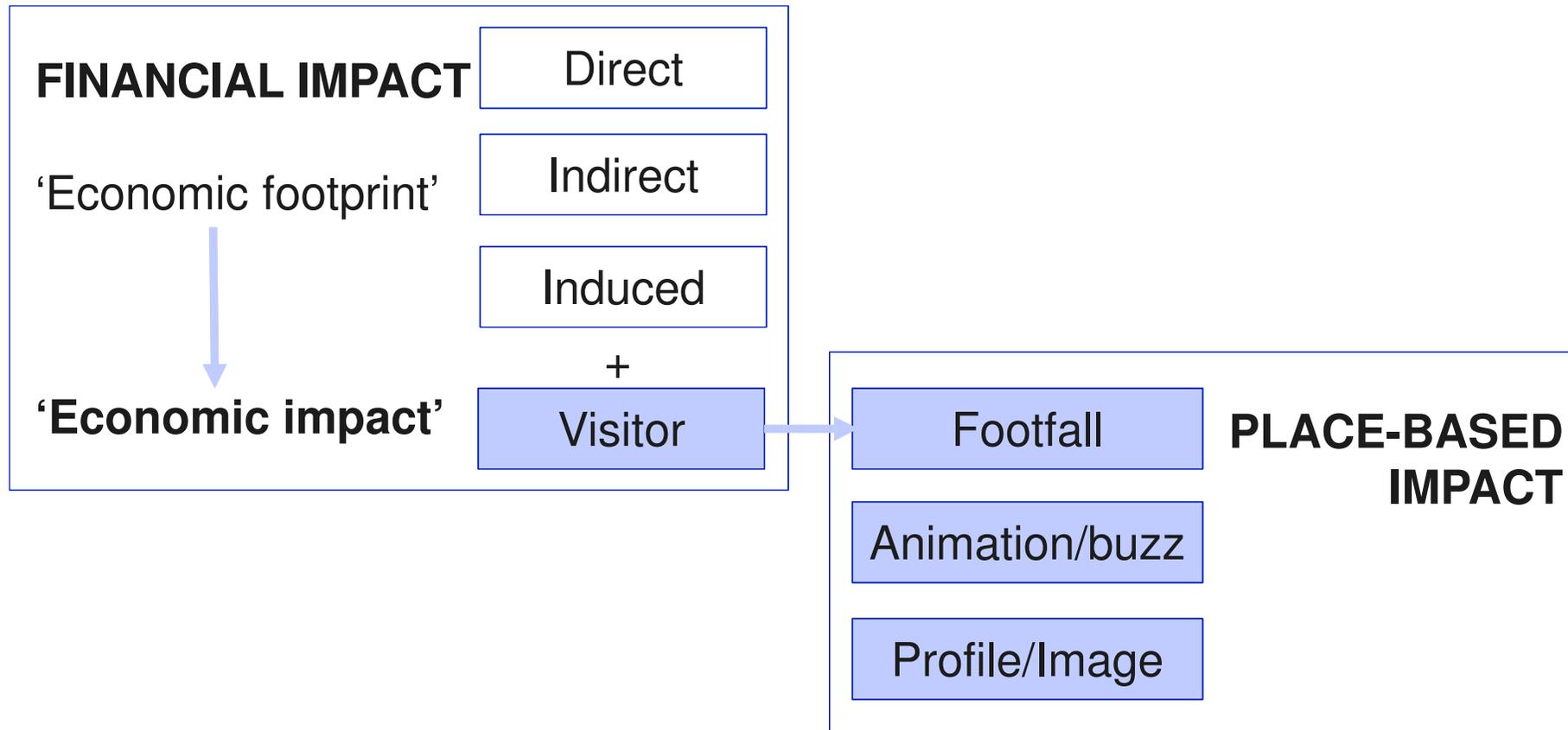
# Main focus of economic valuation approaches for museums, arts and culture sector (i)



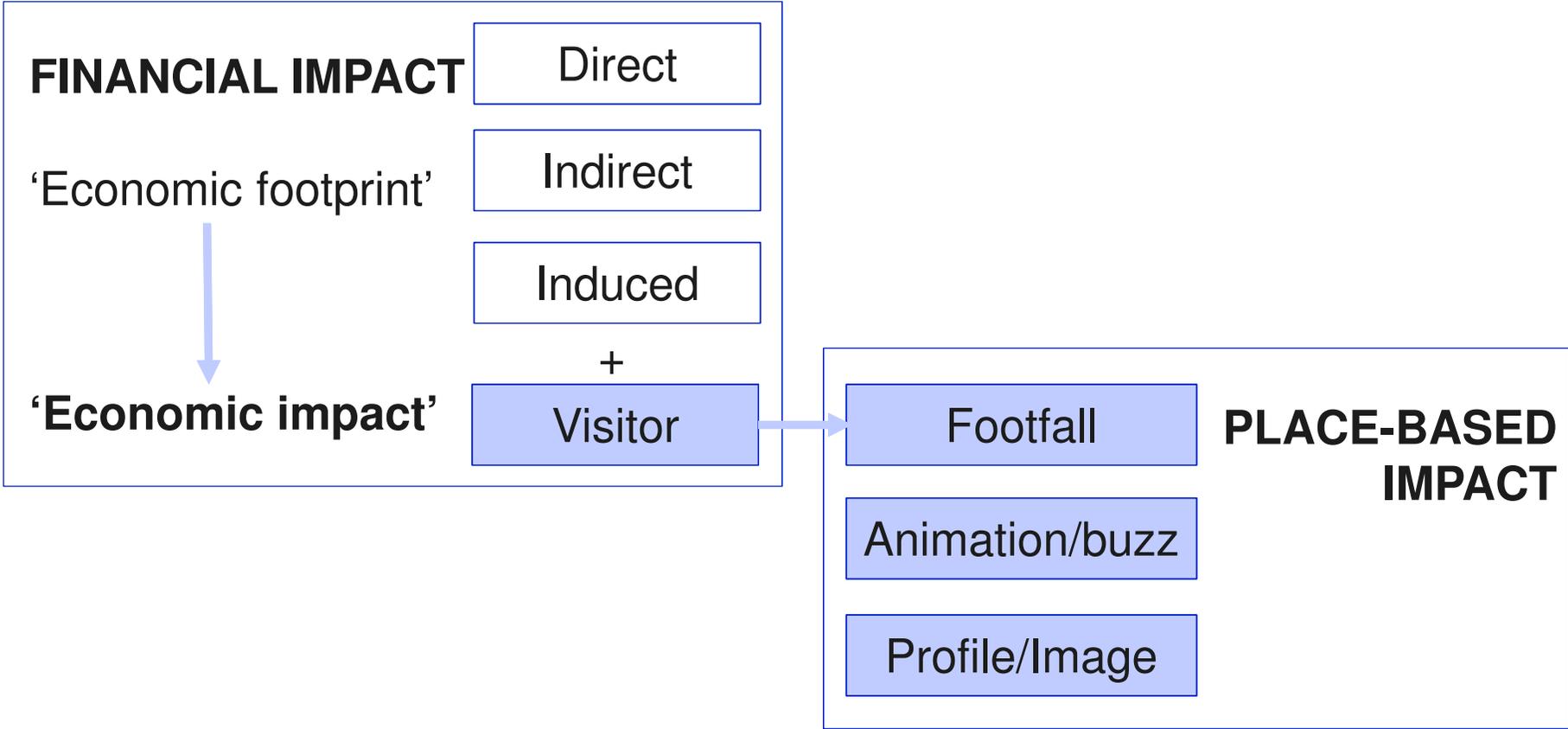
## Main focus of economic valuation approaches for museums, arts and culture sector (ii)



# Main focus of economic valuation approaches for museums, arts and culture sector (iii)

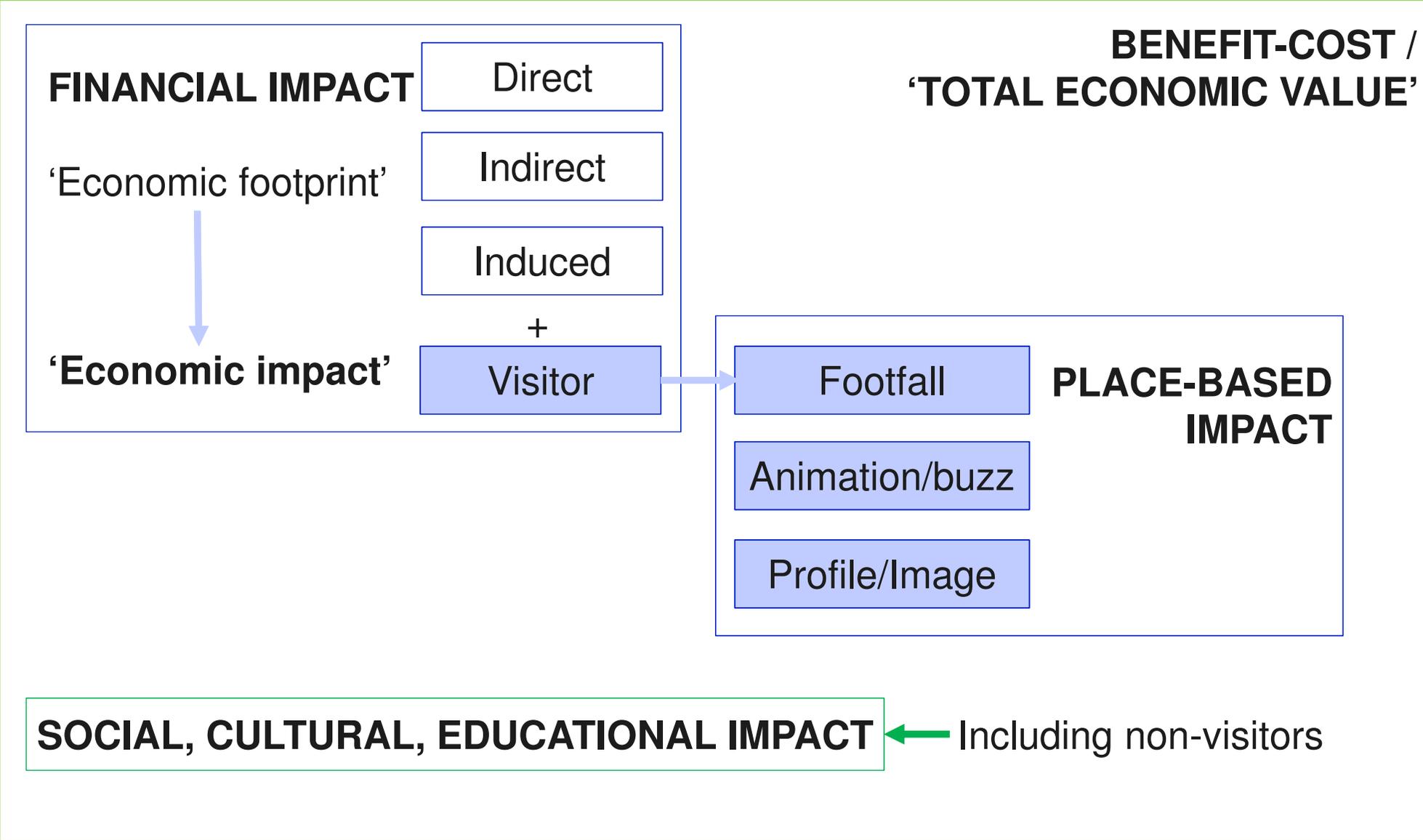


# Main focus of economic valuation approaches for museums, arts and culture sector (iv)



**SOCIAL, CULTURAL, EDUCATIONAL IMPACT** ← Including non-visitors

# Main focus of economic valuation approaches for museums, arts and culture sector (iv)



# Main methods used to assess these approaches

## Economic Impact

- Management information / accounts + surveys of visitor spend
- Additionality assessment / modelling ('gross to net conversion')

## Place-based Impact

- 'Structural analysis' of longitudinal socio-economic indicators (e.g. crime, property values, nature of employment)
- 'Hedonic pricing', a revealed preference method (e.g. longitudinal analysis of property prices)

## Benefit-cost / Total economic value

- 'Revealed preference' methods (e.g. travel cost, substitute goods cost)
- 'Stated preference' methods (e.g. Contingent Valuation, based on Willingness to Pay)
- SROI – valuation of all economic, cultural, social and environmental costs and benefits, using financial proxies to assess non-monetary outcomes, subject to an additionality assessment

# Economic impact: main drawback for museums

Visitor

Organisation

Visitor spend off site in local area



Number of visitors

Wages



Spend on suppliers

— Spending by locals

— Wages paid outside local area

— Spending from visitors who came for other reasons

— Spend on suppliers outside local area



Economic Multiplier



Economic Multiplier

Other qualitative information (e.g. media, press, accessibility)



- Convert to Gross Value Added
- Convert to Full-time Equivalent Jobs
- Multi-period analysis (if applicable)
- Construct scenarios (if applicable)

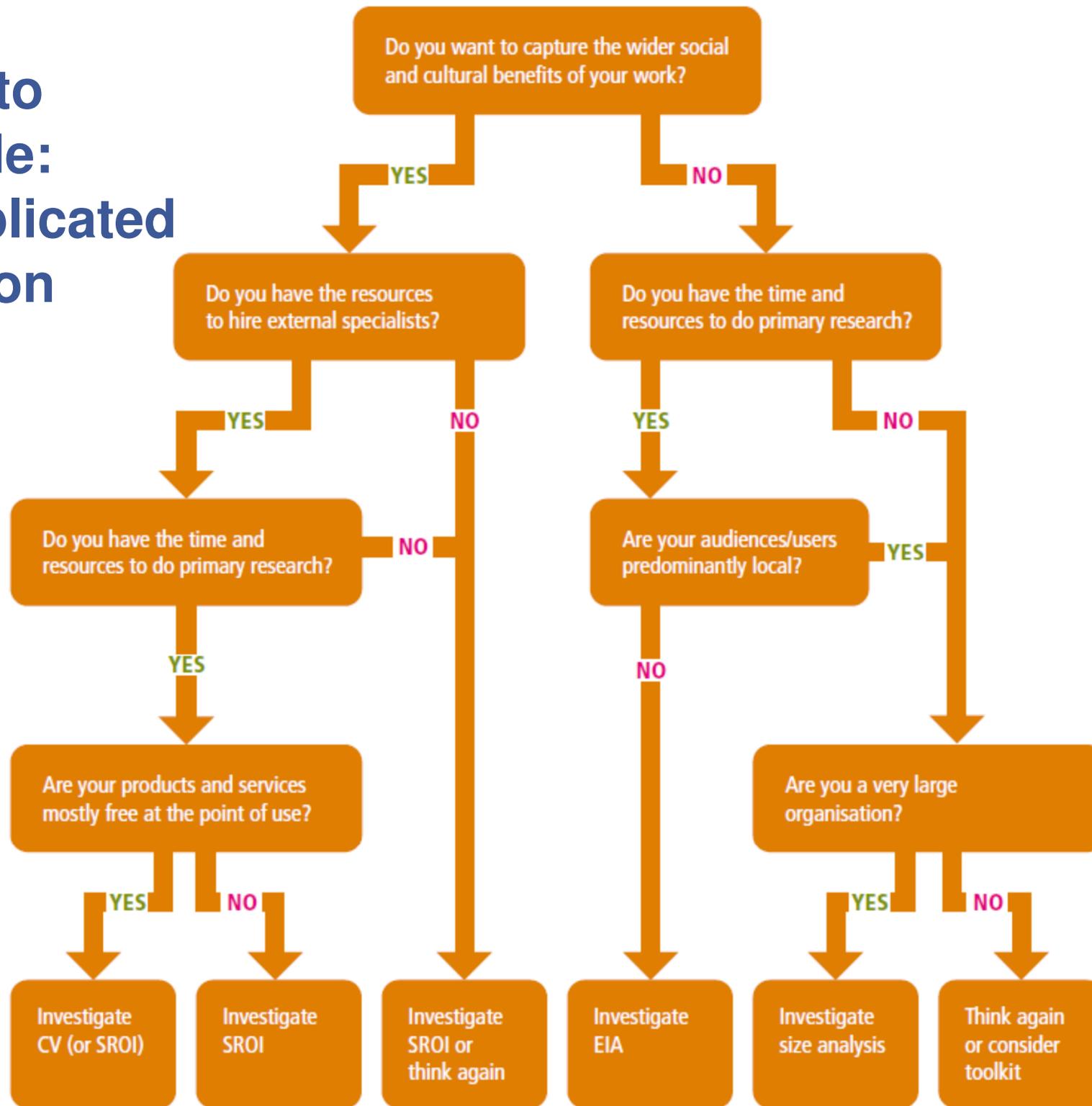
# Total economic value approaches: main drawbacks

- Revealed preference studies tend to produce high values relative to other methods
- ✓ Stated preference (e.g. Contingent Valuation) more usually accepted by governments for valuing non-market goods
- But, Contingent Valuation is:
  - × Very technically demanding
  - × Requiring highly skilled researchers
  - × Large scale primary research with multiple survey cohorts (e.g. non-visitors)
  - × Produces quite abstract outputs
  - × 'Non-use' values often the largest component of total value → hard to use as advocacy
- Less used for museums, more so for libraries and other heritage organisations

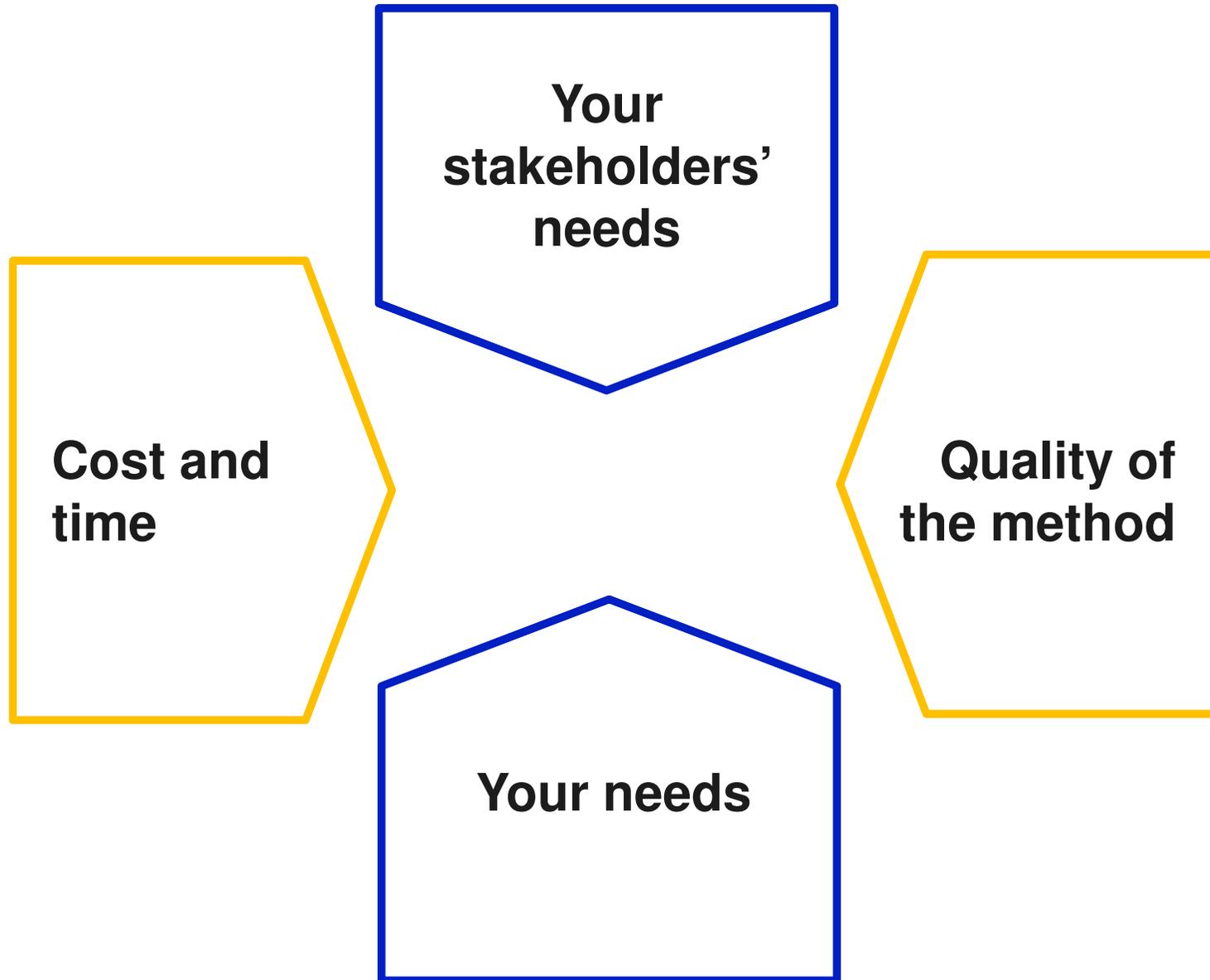
# Social Return on Investment: main drawbacks

- ✓ Rooted in an understanding of value and impact defined by you & your stakeholders, with a direct connection to your services/offer
- Distinctive element of SROI is estimating financial ‘proxies’ for positive social impacts
- Most proxies attempt to assess ‘the social costs of failure’ (e.g. related to unemployment, criminal justice system, etc.)
- SROI therefore requires:
  - ✗ combination of primary data capture and the analysis of secondary data on proxies, plus an additionality assessment → needs extensive researcher expertise to be achieved credibly
- SROI works best in contexts in which it is clear what social impacts are the intended outcomes of an organisation’s activities:
  - ✗ this is rarely the case in museums; and
  - ✗ without clear intended social outcomes, it can become like trying to ‘monetise air’
- Best applied in museums to specific participatory programmes for particular target groups

# How to decide: complicated version



# How to decide: simple version



# Resources

*Measuring the economic benefits of arts and culture,*  
BOP (2012) <http://bit.ly/2ekrNel>



*Lieux culturels et valorisation du territoire,* IAU (2016)  
<http://bit.ly/2eLjSFW>



*Evidence review of the economic contribution of libraries,* BOP (2014)  
<http://bit.ly/2ffcjaP>



richard@bop.co.uk

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