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Tuulikki Karjalainen

**KUHMO CHAMBER MUSIC
FESTIVAL**

The Structure of the Festival's Economy and
the Economic Impact of Festival



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1. Introduction*

The purpose of this paper is to introduce a practitioner's point of view into the analytical discussions of cultural economics. The author of this paper has had a managerial position for almost two decades in the organization of a cultural festival, The Kuhmo Chamber Music Festival. In this position she has observed the development of the festival from a small interim one into an established international one.

The manager of a festival organization has several roles. Firstly he/she must be an amateur economist in two senses. On one hand he/she must manage the economy of the festival itself, and on the other hand to monitor the festival's economic impact on the surrounding community and society. Secondly he/she has to take the role of a protagonist/propagandist for the festival again in two senses: on one hand to assess and make known the artistic merits and quality of the festival, and on the other hand to argue in economic terms the beneficial economic effects accruing to community/society as the result of the festival.

The link between analytical economics and managerial practices is clear on the basis of the above comments. Economic analysis gives tools to assess the economic impact of the festival and the manager must be able to use these tools both to develop the festival itself and legitimate its financing for society. The manager's real dilemma, of course, is how to optimize quality standards and economic impact arguments.

The following description of the Kuhmo Chamber Music Festival follows the roles of the manager. First background information is given on the festival. Then the development of the festival's economy is described and finally the economic impact arguments are brought in.

2. Background

The Kuhmo Chamber Music Festival was founded by a young Finnish cellist Seppo Kimanen together with the Kuhmo Music Association in 1970. The aim was to create

* This paper was presented at the 6th International Conference on Cultural Economics, Umeå, Sweden, 1990.

a chamber music festival of high artistic quality in a remote place in North-Eastern Finland surrounded by nature, far away from big cultural centres.

Kuhmo is a town of 13 000 inhabitants and it is situated in a peripheric region which tries to overcome difficult structural crisis and move from almost an agrarian society directly to information and service society.

Today the Kuhmo Chamber Music Festival is an international event known world wide. The American Journal 'Connoisseur' described it in its February 1989 number as 'a unique chamber music festival, possibly the best anywhere'.

The primary aim in the development of the event over the past twenty years has been the achievement and maintenance of a high artistic level. Financial resources have grown relatively slowly from almost nothing to the present 4 million FIM budget.

In this paper the Kuhmo Chamber Music Festival will also be compared with the Savonlinna Opera Festival, the oldest and most famous of the Finnish music festivals. These two festivals have, according to the report of the Press and Information Centre of the Ministry for Foreign Affairs, the most extensive positive publicity of the Finnish cultural events in foreign media (1989).

The Kuhmo and Savonlinna festivals are in most aspects unlike, though they both are music festivals of high artistic quality. Their size, facilities, economy and atmosphere respond to the genre of music they cultivate. But their similarity as regards the economic impact on their respective locations is obvious.

3. Economy of the Festival

The Kuhmo Chamber Music Festival takes place during the last two weeks of July. In the course of the fifteen festival days 150-200 international musicians give about 65 concerts. The festival has offices both in Kuhmo and in Helsinki and six all-year round employees. During the festival about 150 temporary aids, all of them more or less voluntary workers, work in Kuhmo. The artists too, give their contribution more for the joy of making good music than for compensation in money.

The municipality gives the schools and the parish the church and the parish hall free for concerts, rehearsing and other use. The artists live in school dormitories, the visitors mainly in private rented rooms and houses (the hotel capacity is very limited).

Under these conditions it has been possible to make the Kuhmo Festival an international artistic success in spite of the very modest financial and other material preconditions.

4. Economic Impact

In 1987 a survey was carried out during the Kuhmo Chamber Music Festival by Suunnittelukeskus Oy/Plankonsult Ab. The aim of the survey was to ascertain the composition of festival audience, to estimate the economic effect on the local tourist income and to obtain information for the developing of services offered in conjunction of the festival by the festival organization as well as by the municipality (see Tables 1, 2 and 3, main results of the survey).

Composition of audiences

A typical festival guest was travelling together with his/her spouse, was on average 40 years old, had a university-level education, the household monthly incomes were about 15 000 FIM. Most of (54%) the audience came from the province around the Finnish capital Helsinki (600 km south of Kuhmo), 15 % of the interviewed were from abroad.

An important information to be noticed is that 73 % of the visitors had come to Kuhmo exclusively for the festival. The rest had combined concerts with their holiday trip.

There is no railway or air connection to Kuhmo. It is natural that 70 % come by car, the rest by bus. The average staying time was rather long: 5,2 days. Only 5 % stayed for one day, 5 % the whole festival fortnight.

The festival audience seems to be very faithful: 60 % of the interviewed had visited the Kuhmo Festival before, on average four times. One fifth of the visitors were first-times.

Table 1 shows the use of accommodation alternatives. In Kuhmo there was only one small hotel in 1987. The audience likes to live in private rented rooms: it gives the possibility to be acquainted with the people and the way of life in Kuhmo. Renting a summer cottage gives the possibility to enjoy the beautiful unpolluted nature besides the concerts.

Table 1. The Use of Different Types of Accommodation.

Hotel	18 %
Rented summer cottage	18 %
Camping	9 %
Rented private accommodation	30 %
With relatives / friends	5 %
Others (youth hostel, outside Kuhmo, etc.)	18 %
Unknown	4 %
TOTAL	100 %

Source: Suunnittelukeskus OY. 1987.

Table 2 shows the average staying time and expenditure of a travelling unit. Those who rent a summer cottage during the festival bring the highest tourist income to Kuhmo.

Table 2. The Staying Time and the Spending per Accommodation Alternative per Travelling Unit.

Accommodation	Stay (days)	Spending FIM
Hotel	3,4	1324
Rented cottage	6,2	3018
Camping	3,9	1656
Rented private acc.	6,0	2086
Relatives / friends	7,3	2577
Other accommodation	4,7	1249

Source: Suunnittelukeskus OY. 1987.

Table 3 shows the breakdown of the expenditure of the festival guests by expenditure items. The total sum spent by the visitors is about 15 per cent higher than the average expenditure by expenditure items. Consequently, it can be stated that the total tourist income during the festival fortnight in Kuhmo was in 1987 about 4.5 million FIM. When the annual tourist income in 1987 was about 12 million FIM, the festival fortnight brought in about 38 % of the total amount.

Table 3. The Expenditure of the Visitors per Spending area.

Accommodation	990.000	
Stores	555.000	
Restaurant	465.000	
Service stations	180.000	
Transports (bus, taxi, etc.)	70.000	
Concerts	930.000	
Other spending	240.000	
One day visitors	600.000	
TOTAL	4.030.000	FIM

Source: Suunnittelukeskus OY. 1987.

The economic impact of the Kuhmo Chamber Music Festival can be compared with that of the world renowned Savonlinna Opera Festival (Table 4). With its 30 000 inhabitants and the festival budget of 24 million FIM (1988), Savonlinna plays in the different ball park than Kuhmo. In Savonlinna the 68 600 opera-fans brought in a total of 62.4 FIM during the festival season of the month. It has been estimated that in 1988 the opera season increased the municipal revenues of the city by a total of 2.8 million FIM. The increase of municipal revenues in Kuhmo has not been estimated, but, if compared with the total municipal income, it is probably relatively higher than that of Savonlinna. On the other hand, the municipality of Kuhmo also invests relatively more in its festival than the city of Savonlinna.

Table 4. Savonlinna Opera Festivals in 1988: Direct and Indirect Employment and Income Effects.

	Lodging	Foodstuffs	Department-stores	Retail-stores	Carages	Others	TOTAL
Total expenditure	9.435.000	9.398.000	5.868.000	5.322.000	1.398.000	30.997.000	62.418.000
Employment coefficient	284.000	292.000	698.000	1.307.000	1.459.000	211.000	
Employment effect	33	21	8	4	1	147	225
Annual salary	76.800	76.800	73.800	64.500	68.900	58.000	
Total salary impact	2.534.000	2.458.000	590.000	258.000	69.000	8.526.000	14.435.000
Purchases from Savonlinna	1.698.000	1.786.000	939.000	266.000	126.000	310.000	5.125.000
Indirect employment coefficient	1.020.000	1.020.000	6.530.000	5.491.000	6.840.000	6.530.000	
Indirect employment effect/persons	1.7	1.8	0.1	0	0	0	3.6
Annual salary/wage earner	58.000	58.000	58.000	58.000	58.000	58.000	
Indirect salary effect	98.000	104.000	5.800	0	0	0	208.400
Subsequent salary effect	3.992	4.595	58	0	0	0	8.645
Total indirect salary effect	102.600	108.600	5.900	0	0	0	217.100
Derived salary effects	264.000	257.000	58.600	25.800	6.900	853.000	1.446.300
Municipal revenues*	508.000	494.000	115.000	50.000	13.300	1.641.000	2.821.300

* 17,5% of salaries

Source: Sairanen 1988.

Table 5. shows the audiences and financing of some Opera Festivals in Europe compared with Kuhmo Chamber Music Festival.

Table 5. Audiences and Financing of Opera Festivals in Europe in 1988 Compared with Kuhmo Chamber Music Festival.

	Kuhmo	Savonlinna	Bergen International Festival	Verona Opera Festivals	Wexford Opera Festival	Edinburgh International Festival	Helsinki Festivals (year 1987)
Visitors:							
Opera		68 600	2050	450 000	6600		
Concerts	31 500	12 400	22 700	10 000	10 000	660 000	160 000
Other events		1000	13 290	36 000	10 000		
Budget (FIM)	3.0 mill.	24.0 mill.	8.0 mill.	129.0 mill.	2.6 mill.	14.8 mill.	8.5 mill.
Financing:							
State subsidy	23%	10%	45%	52%	27%	-	5%
Other public subsidy	11%	5%	6%	3%	15%	-	41%
Priv. persons	-	-	2%	-	15%	-	-
Sponsors	5%	10%	12%	1%	10%	20%	8%
Ticket sales	34%	75%	35%	38%	38%	-	38%
Other income	27%	-	-	6%	3%	-	-
Total	100%	100%	100%	100%	100%	100%	100%

Source: Sairanen 1988.

Stages of development and maturing of the festival

Table 6 and Figures 1 and 2 tell the story of the development and maturing of the Kuhmo Chamber Music Festival. Figure 1 depicting the development of the number of visitors seems to suggest that after the staggering first steps (in 1970-1973) and the exponential growth pattern of the years 1974-1979, the development has been rather linear with rather regularly occurring recessions (e.g. in 1980, 1985, 1987-1988). The combined budget and visitor figures (Table 6) seem to suggest that the festival researched its maturity in 1977-1983, when the budget costs stabilized around 40-50 FIM per visitor.

Table 6. The development of financing and audiences of the Kuhmo Chamber Music Festival 1970 - 1989.

YEAR	VISITORS	BUDGET FIM	DEFLATED BUDGET FIM	FIM / VI- SITOR	DEFL. FIM / VISITOR
1970	800	3.000	13.380	3.8	16.7
1971	1.350	11.000	46.640	8.1	34.5
1972	1.500	20.000	78.400	13.3	52.3
1973	1.800	18.000	59.940	10.0	33.3
1974	2.000	30.000	80.400	15.0	40.2
1975	3.100	29.000	68.150	9.4	22.0
1976	7.000	93.000	196.230	13.3	28.0
1977	10.000	200.000	382.000	20.0	38.2
1978	11.000	240.000	436.800	21.8	39.7
1979	15.000	375.000	626.250	25.0	41.8
1980	12.600	475.000	684.000	37.7	54.3
1981	17.500	670.000	850.900	38.3	48.6
1982	20.000	800.000	944.000	40.0	47.2
1983	23.800	980.000	1.078.000	41.2	45.3
1984	28.000	1.575.000	1.653.750	56.3	59.1
1985	26.300	1.600.000	1.600.000	60.8	60.8
1986	35.000	2.300.000	2.415.000	65.7	69.0
1987	31.000	2.400.000	2.496.000	77.4	80.5
1988	31.500	3.000.000	3.000.000	95.2	95.2
1989	41.000	3.800.000	3.800.000	92.7	92.7

Figure 1. The Amount of Visitors in Kuhmo 1970-1989.

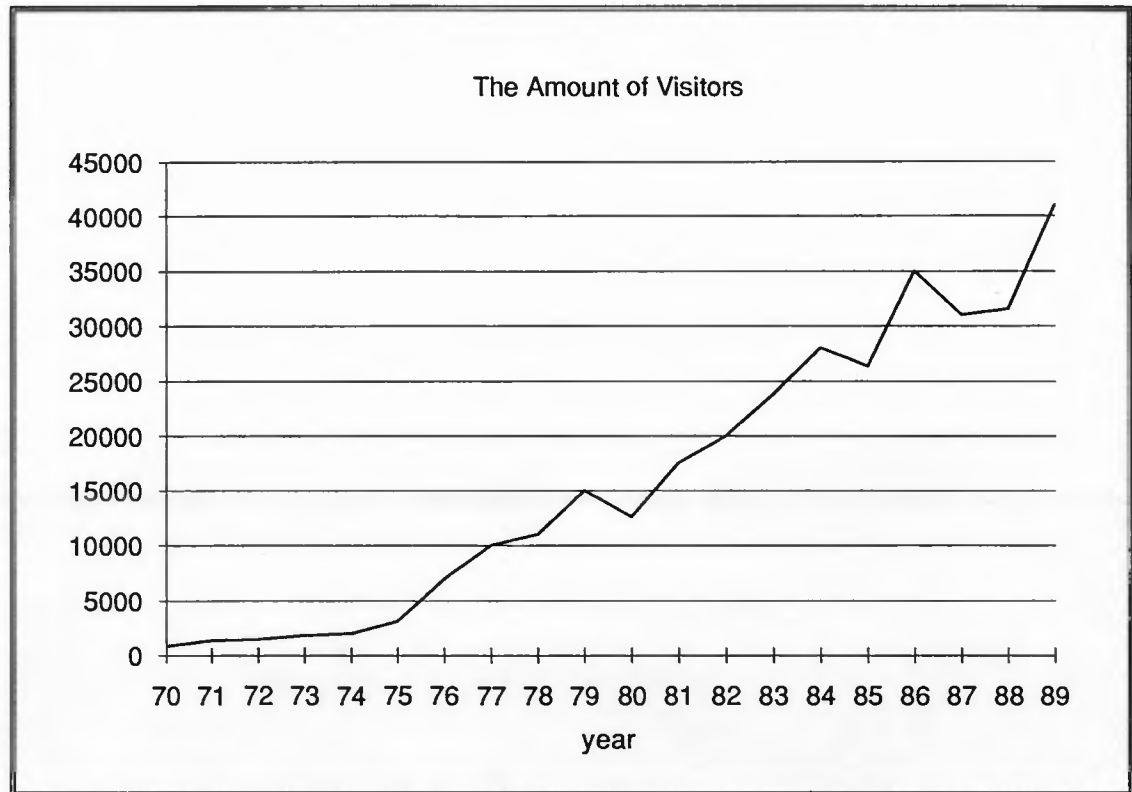
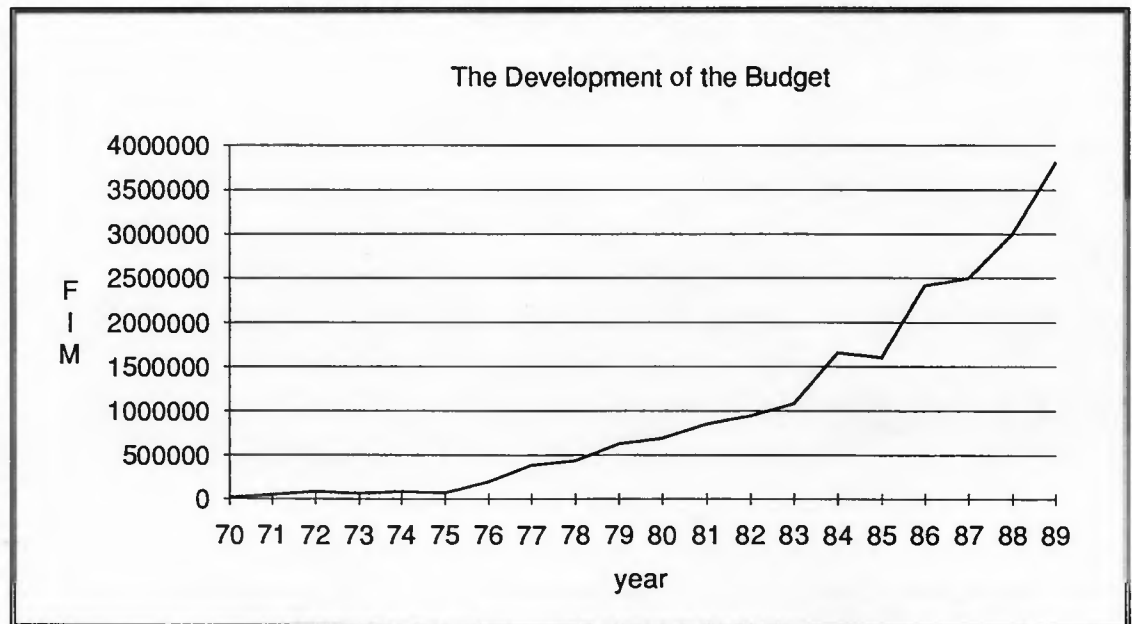


Figure 2. The Development of the Budget in Kuhmo 1970-1989.



Both the absolute and the deflated budget/visitor figures (Table 6) suggest that in the development of the festival there have been two types of crises, the financing crisis (e.g. in 1974) and the audience crises (e.g. in 1980). The deflated figures also suggest that in 1984-1988 the relative costs have rapidly escalated. Although this development was interrupted in 1989 by the considerable increase in the number of visitors, the cost per visitor have doubled in real terms since the maturing period of 1977-1983. It is difficult to say if the festival is facing an actual permanent cost crisis. It is, however, certain that if such crisis emerges, it cannot any longer be encountered by any attempts to increase the number of visitors and ticket income.

It is interesting to see, how different sources of financing seem to react to changing audience figures and financial problems of the festival (Figures 1, 2 & 3). It seems that central government support is rather insensitive both to success (in terms of audience figures) and the financial problems of the festival. On the other hand the other public financiers (especially the municipal authorities) react rather fast both to success and financial crisis. The role of the private sponsors is still rather insignificant (Figures 3 & 4). They have, however, come into the picture after the substantial rise of the relative costs, and they will probably play a much more important role in the future.

Figure 3. The %-share of the Sources of Finance.

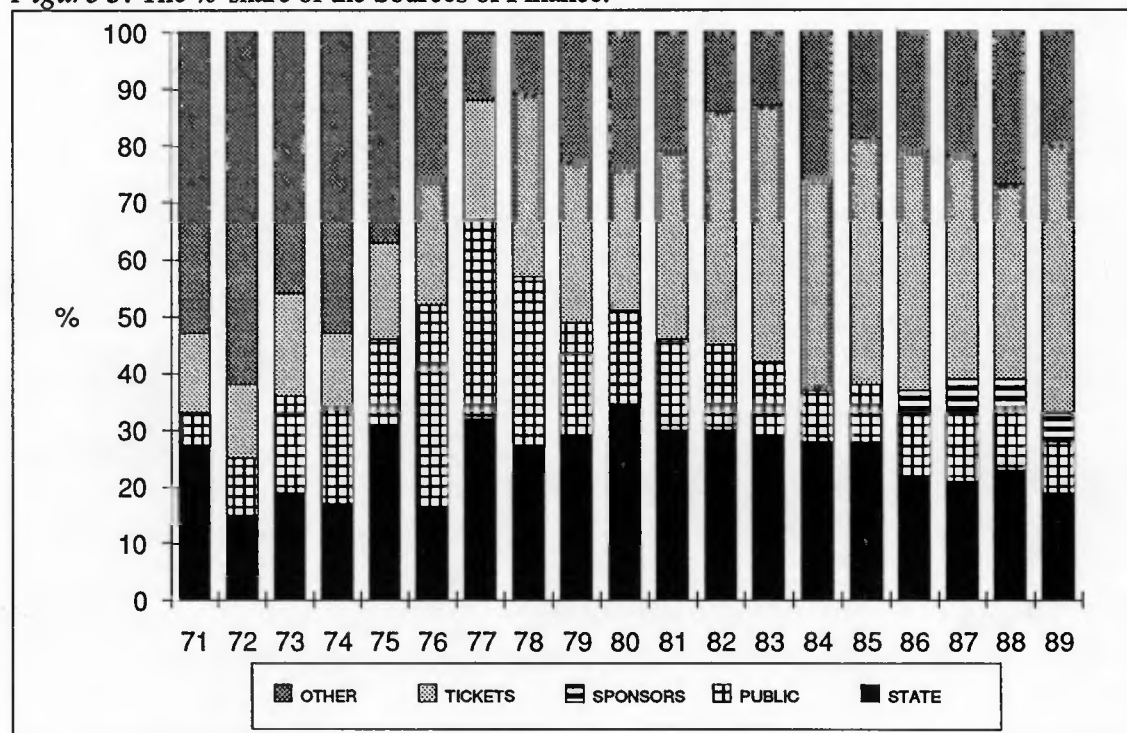
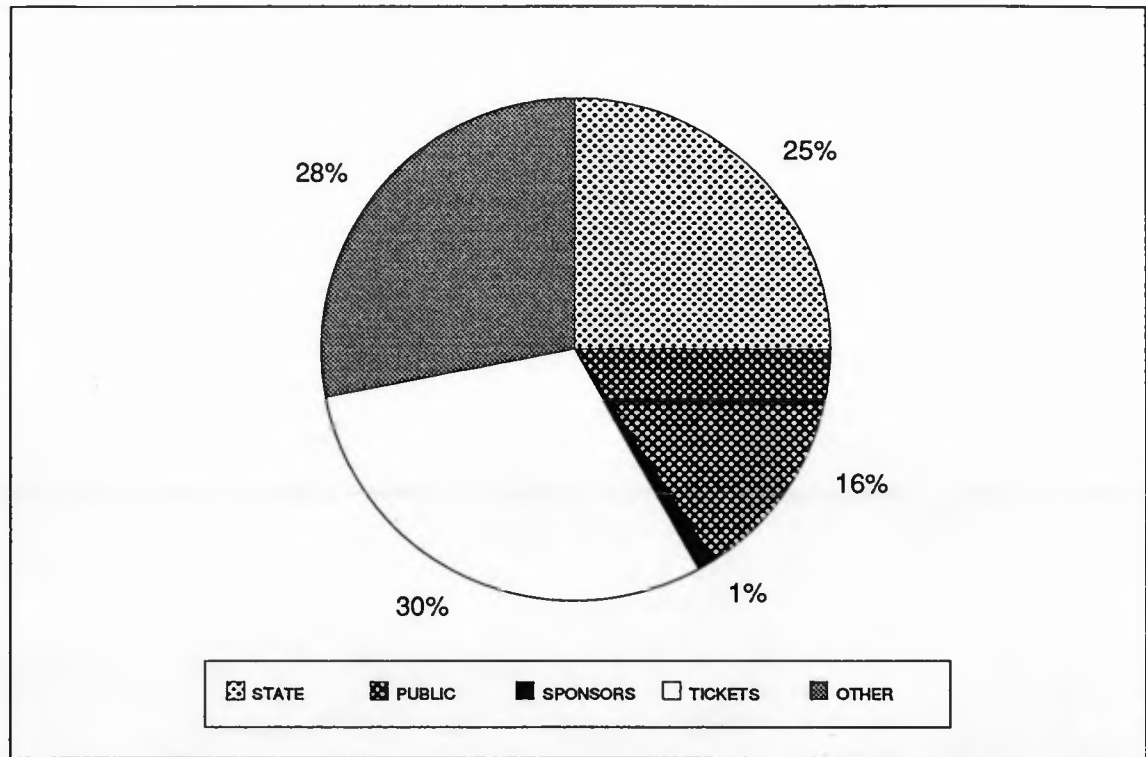


Figure 4. The Average %-share of the Sources of Finance.



5. Conclusions

After the presentation of the facts and figures we can return to our initial discussion of the roles of the manager.

The economic analyses, especially the figures on the economic impact, make it easy for the manager to legitimize the status of the festival. It is easy to say that in the case of Kuhmo, the festival offers a viable economic opportunity and development strategy for the municipality. Tourism is the most central industry a municipality like Kuhmo can resort to in order to avoid the inevitable structural crises of a small rural community. Without such an 'innovation' as the Chamber Music Festival, it would have been difficult or well nigh impossible to create tourist activities in Kuhmo. It must be emphasized that the 'innovation' implies even more than sheer tourist income. The festival has given Kuhmo a worldwide positive publicity, a kind of brand mark, the 'spirit of Kuhmo'. This could, of course, be used to attract even more economic activities than tourism into the community.

From the managerial point of view the analyses of the development, growth and actual or immanent crises are even more important than the analyses of the economic impact. Any long term managerial strategy must be based on the knowledge of the growth potentials and restraints at the different stages of development. The analyses of these potentials and restraints is usually easy ex post factor. It is much more difficult to give shape and predict future still unknown, problems like the new potential cost crises.

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