

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the Faculdade de Economia da Universidade Nova de Lisboa.

HOW MUCH CULTURAL EVENTS ARE “WORTH” FOR HOST COMMUNITIES:  
CASE OF FAZ MÚSICA LISBOA 2014

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3 DE JUNHO DE 2015

## Abstract

This paper studies the economic and social impact of Faz Música Lisboa on the segment of society that feels from any direct or indirect consequence due to its existence. A qualitative research based on surveys and interviews is made to retrace a list of the benefits and costs that each stakeholder perceives. Relying on the quantifiable variables, it is performed a cost-benefit analysis to measure how much the event is “worth” for the community. I conclude this is a viable project, as it brings a positive net benefit to the society, value that could increase with a higher institutional support.

**Keywords:** Cultural Events; Economic Impacts, Social Impacts; Net Benefits

## **Chapter One: General Overview**

Festivals may provide economic and social benefits for the host communities, which go beyond those inherent to the individual participant. The main purpose of this thesis is to examine the economic and social impact of a specific non-profitable cultural event – Faz Música Lisboa 2014 - on the segment of society that is affected by its existence, as well on the institution responsible for its organization, thus justifying their viability and funding supports. Although the analysis will be carried out using a specific music festival, the findings might be applied to other activities of the same kind.

Before proceeding, and due to the approach that will be conducted in this paper, it is important to make a distinction between economic impact and economic value. Economic impact involves measurements of economic activity in a given area, such as jobs or personal income, and it is an appropriate tool if the interest is to measure economic growth. By contrast, economic value, also referred as net economic benefit, measures how much an economic activity is worth to residents of a given area, and it is an appropriate tool if the interest is to justify resource public policies. This value is calculated by subtracting total costs from total benefits, which include both market benefits and non-market benefits, such as changes in several life factors: for instance, health, safety, recreation, and air or noise quality.

Hereupon, a social cost-benefit analysis will be conducted, by adding up total costs and benefits, in an attempt to quantify how much this event is worth to those who are affected by its annual realization. Within this analysis, is important to clarify who enjoys the benefits and who pays the costs, and how they affect the different groups involved. However, innumerable difficulties are expected to emerge in measuring them,

since it contains mainly “intangible” – related to the musical content or festivalgoers’ socialization experience - or public good benefit components<sup>1</sup>. It is reasonable to argue that, if the benefits offset the costs, these type of projects are viable and should be sustained with public support, since they lead to an increase in social welfare.

The examination to follow begins with a section dealing with the review of some relevant literature. Then, it will be provided an overview of the methodology, followed by a section where the data collected will be analyzed and discussed. Within this section, it will be possible to find a general visitor profile, a review of the musicians and volunteers’ surveys, and finally, a brief financial assessment, using data from 2012 to 2014. Afterward, a social cost-benefit analysis will be performed to perceive whether the festival’s social and economic benefits exceed its social and economic costs, while focusing at some intangible impacts of FML and similar events. Due to the difficulty to assign monetary values to those benefits and costs, much of the analysis will be of a qualitative nature, based on community’s impact perceptions of small urban festivals, and on the data of surveys conducted as well. At the end, a counterfactual analysis will be drawn, the main goal of which is to understand what would be the impact of the event if it reaches its total capacity. In this way, they might be found considerable strong reasons to justify a higher involvement of public institutions, something that FML is been trying to get, and similar to what happens in other countries. Finally, the work addresses the main conclusions to emerge.

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<sup>1</sup>Public goods are characterized by being non-rival - good whose consumption by one individual does not reduce its ability to be consumed by another individual - and non-excludable – good from which one person may not be excluded without all people being excluded.

## **Chapter Two: A Brief Literature Review**

The role for culture in influencing the economic and social performance of certain regions has been an issue of increasing importance. This is the reason why more than ever certain cities are investing in new initiatives like festivals or other big events in order to produce economic and social development (Gursoy, Kim & Uysal, 2004; Herrero, 2001). Throsby (2001) suggests that it is possible to emerge some conclusions on the different sorts of value created by this process if one correctly identifies the relevant variables to measure it. In fact, it is believed that cultural events can play a big role in the development of a region and, thus, impact assessments have been conducted in order to justify public spending on them and attribute quantifiable monetary values to the positive and negative impacts they might have on the host region. Music festivals, in particular, have shown a large capacity to attract local and national supporters from around the region which can significantly contribute to the local economy (Saayman and Rossouw, 2010).

Economic impacts of cultural festivals have been highlighted in a number of studies (Crompton and McKay, 1994; Andersson and Carlsen, 2010; Andersson and Getz, 2007; Brown, 2002), some dealing with methods of conducting economic impact analysis and applying them to a specific case study (Burgan and Mules, 1992; Tyrell and Johnston, 2001; Crompton, et. al. 2011), others outlining the purpose and the elements needed for an economic impact study (Crompton, et. al. 2001; Crompton, 1999). Nowadays, the concept of economic impact is much centered around financial values and market-based prices, excluding (positive or negative) economic impacts that are not traded in the market even if they are quite expectable to emerge from cultural

activities, such as parking problems, traffic congestion and other social problems that affect the region. Usually, when discussing about the impacts of the events, it is given more importance to the financial aspects, but social and cultural benefits also play a vital role on an event's overall impact and therefore, should be discussed from both the positive and negative aspects, as well (Allen, 2010).

Indeed, there has been some debate around the need to include these non-economic variables in assessing impacts of festivals since they also have considerable effect on the well-being of the population. Some examples of those immaterial effects can be found on the literature (Andersson *et. al* 2001; Mellor, Mistili and Mules, 2000), which are quite challenging to measure due to their inherent intangibility (Robertson, Rogers and Leask, 2009; Small, Edwards and Sheridan, 2005; Trimboli, 2011; Sacha, 2006).

Cost-benefit analysis is a technique often used to study the provision of public goods and to make event impact assessments, being a subject commonly found on the literature (Mules, 2001; Bradford, 1970; Hope, 2004; Lashine, 2000). As Bradford (1970) recalls, the main goal of this technique is to attribute in the world of public goods and externalities some "rationality" that exists in the price system and in this way, compare (intangible and tangible) benefits and costs for the society of providing a good of this nature. As such, while examining the distribution of the impacts, it determines the net value of an event and judges its acceptability (Mules, 2001).

### Chapter Three: Methodology

Many cultural goods, such as the event in study, have public good characteristics and that is the reason why standard economic impact assessments found on the literature, such as input-output methods, were rejected. Besides, these methods tend to assess only the benefits and not the costs<sup>2</sup>, and to do accurate event impact assessments both benefits and costs in host communities should be considered (Crompton and McKay, 1994; Snowball, 2002). Nevertheless, as Andersson *et al.* (2001) emphasize, intangible benefits and costs (both economic and social) – non-economic variables - have a considerable effect on the welfare of a society and therefore should not be ignored but rather assessed in monetary terms, what proves quite challenging due to the corresponding perceptions that intangibility cannot be measured. Taking this into account, there was a need to consider another way to evaluate the economic benefit generated from the festival, incorporating both measures of economic and social values.

In this research the assumption is made that the agents under study are the ones who experience from any kind of consequence, positive or negative, due to FML – festivalgoers, volunteers, musicians, organization, institutional agents, and the remaining community that is somehow affected; for instance, private local agents, residents who do not participate in the event but are indirectly affected and service providers. Besides, it is assumed that all of them undertake rational decisions and act in order to maximize their outcomes.

As this research has as primary goal to understand whether the (perceived) positive impacts exceed the (perceived) negative impacts derived from the event, with

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<sup>2</sup> For instance, expenditures are a cost of using a resource, when an economic value analysis is at the stake.

public components that are quite often challenging to quantify, it will be adopted a more qualitative research method rather than a quantitative one, to develop a cost-benefit analysis. For this purpose, surveys will be conducted to provide relevant information on the issue that is being analyzed and provide some qualitative content. These surveys were collected both from the festivalgoers, by volunteers who approached them while they travelled between the various performance stages, and from musicians and volunteers that went to FML in 2014, through online platforms. In addition, it will be made a survey in an attempt to measure local residents' perceptions of the festival's impacts. Respondents that have not been at the festival will be invited to answer in their opinion "Yes", "No" or "Don't know" whether or not the specific listed impact would occur. To those who answered "Yes", it will be asked to answer in their opinion, the level of impact they attribute to that impact. The scale is range from 1 to 10, with 1 representing "very small impact", and 10 representing "very large impact".

Nevertheless, there are some limitations due to the sample size and people own perceptions. For instance, by increasing the community's awareness on those impacts, some festivals may be viewed more positively by a greater segment of the host society. Some responses could come somehow affected by the lack of information that exists. Still, as most of the variables do not have any price signals to observe, there is no way to correctly identify the value potential agents place in the event and, thus, the findings will be only approximations of net benefits at best. However, monetary values will be attributed when possible to some impacts, to calculate the net benefit through the cost-benefit analysis.



## **Chapter Four: Data Analysis and Discussion**

Faz Música Lisboa is an annual festival held in Lisbon, which follows on the international festival Fête de la Musique, also known as World Music Day. Nowadays it is celebrated in 116 countries and 450 cities around the world, in each first day of the summer. Following the original concept of the festival, FML is dedicated to a day-celebration of various music styles within the city of Lisbon and with free access to people. Totalling nine performance stages, they are located at Jardim Botânico, Jardim da Estrela, Praça do Município, Rossio, Jardim das Amoreiras, Jardim do Príncipe Real, Largo de Camões, Parque Bensaúde, Miradouro de Santo Amaro.

The involvement of civil society around both amateur and professional musicians is the main goal of this music's project, creating cultural and economic value and promoting public spaces. Indeed, respecting the tradition of Fête de la Musique, musicians are invited to perform on the streets dedicating their time for free, based on the slogan "Make Music", offering various music genres and promoting music in this way. The public's strong involvement and the interest of musicians and funding institutions around the concept led to the project's continuity in Lisbon.

### **4.1 Data Analysis**

#### **4.1.1 Festivalgoers' Survey**

Thirty festivalgoers were surveyed<sup>3</sup> by at least one volunteer working in each performance stage over the one single day event, FML, which occurred on July 21, last

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<sup>3</sup> Refer to Appendix A for a detailed description of the survey.

year. These respondents were chosen randomly while they were travelling between stages or watching performances, and the observed trend is that festivalgoers visit an average of two performance stages during the day of the event (61%). The majority of festivalgoers (74%) were from Lisbon, while the remaining respondents were from the surrounding areas, taking advantage of the weekend to walk to the city with friends or family. Indeed, the respondents have pointed out tourism as the main purpose to walk through the city. 52 percent of respondents were male and 48 percent female, with an average age group of 30-40 years old (52%). In less number but also with relevant values, it was observed that 32% of respondents were within 20-30 years old, what demonstrates great age diversity among the public. Most of the respondents were employed and receive their own income (90%) while the remaining is still studying. The vast majority of respondents were used to participate in cultural events, essentially in music related ones. The most identified criteria to attend those were the type of music, enjoying watching artists or music groups that are already known, and social drivers, such as acquaintanceship. Moreover, a large number of respondents considered that friends' suggestions and opinions are one of the most important criteria to decide whether attend some specific event. To confirm the first appointed criteria, it was found a value of 93 percent of the respondents that indicate at least one musical genre performed on FML as one of their favorite. However, there were a small number of respondents that had already attended previous editions (26%) but it can be explained by the slight lifetime of the event and lack of awareness channels. Nevertheless, all the respondents have the intention to come back in next editions.

### **4.1.2 Musicians' Survey**

Eight musicians were surveyed<sup>4</sup> from among fifty-five acts in the year 2014, via e-mail in the current year. The reason behind this delay was simply to acquire a better long-term perspective on the benefits they derived from the event after their performances. From the musicians surveyed, 7 were male and 1 female, presenting an average career length of twelve years. All of them had played in the festival in past editions, and 50% were invited to play in other related events after their performance on FML. 66.7% had already a recording contract but one musician has revealed that he obtained one after its performance in the event. Still, 66.7% of respondents perform regularly, with an average of 7 performances per year. In general, all the respondents believe that FML brings benefits for them and for the city as well, though they argue that the organization is able to expand them, especially for the performers. Examples of these perceived benefits by the musicians are the delivering of new musical projects and promotion of artists, providing moments of musical exchange between musicians, offering music at a zero cost to the population, informing about new public spaces from social interaction, exhibition of culture, which they believe is always a beneficial way to educate society, and presenting the opportunity to the festivalgoers of enjoying the stages and the bands which more please them.

### **4.1.3 Financial Assessment**

To secure the continuity of this event it is crucial to assess whether it is financially viable or not. The financial criterion applied for this purpose was a simple comparison between the revenues earned and costs incurred since the second edition of the event. As one can see by Table 1, Faz Música Lisboa's revenues have been

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<sup>4</sup> Refer to Appendix B for a detailed description of the survey.

exceeding its costs over the years. Taking into account that this is a non-profitable cultural activity with free entrance for the whole population, this value is a quite positive sign of the viability of the event and should substantially encourage its continuity. However, it is clear that global private support plays a vital role in maintaining the festival. In 2014, without this support, more than half of the incurred costs could not be covered. Besides, it is possible to verify an increase in margins of more than 23% from 2012 until last year. This situation clearly seems related with the 110% increase in private funding, and outnumbered with the increased number of beers sold (revenues of last year exceed in more than 4120€ the 2012's revenues, since there are now four more beverage selling points)<sup>5</sup>. Some other items require further explanation. In 2014, BNP Paribas – one private funding supporter – called for the creation of three zone lounges in exchange for support, something that did not exist in past editions. Moreover, the huge increase in 2014<sup>6</sup> in costs related with the organization and logistics, reflect the greater professionalization and growth of the performance stages – for instance, it was hired a van and a driver to transport material throughout the entire day, there was an electrician providing more assistance and slap cables were rented.

Thus, looking at the current budget, it is well perceived that the event would not be viable and the organizers could suffer large losses if it was totally unsubsidized. However, it is possible to maintain the festival using only private means and without public subsidies. The impact of a higher public's institutions support will be discussed further in this work.

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<sup>5</sup> See Figure 1

<sup>6</sup> See Figure 2

## **4.2 Examining Benefits and Costs**

In this subsection it will be analyzed the benefits and the costs (measurable and non-measurable) derived from the event. To remember that throughout this analysis it will be considered as an agent affected, every group of people that suffer any type of consequence, positive or negative, resulting from the existence of Faz Música Lisboa.

### **4.2.1 Festivalgoers**

A traditional method to estimate the net economic benefit that festivalgoers attribute to the festival, is throughout people's willingness to pay, beyond what they actually pay (0.00 €). In the surveys conducted, it was asked how much festivalgoers were willing to pay to attend the festival, relying on hypothetical questions, if there was no free entrance and considering a stable financial condition. It is assumed that festivalgoers are willing to pay an amount proportionate to the net benefits they have from enjoying this day of live music performances. Positive and negative intangible impacts, which are not possible to measure, are incorporated in this value. Regarding intangible benefits, it was found that shared experiences, and the pleasure of listening to live music of new and already known artists in pleasant open spaces, were the main benefits that festivalgoers derive from this day. Indeed, the survey provided the information that almost the people went to the festival to learn about performers they didn't know about or to listen to performers and types of music with which they were already familiar. Thus, one can consider that this music festival in particular offers taste-related externalities since it exposes people to performers they did not know previously. Besides, there are a large number of music genres that one can assist during the day, which reduces the search cost associated with seeking a specific musical variety

somewhere else. Still, FML brings people together and therefore, generates sociability and conviviality among the audience, which might positively change their social well-being function<sup>7</sup>.

As costs, one can identify transportation and accommodation costs but since almost of the population are from Lisbon, the last variable it will not be included in the analysis. About transportation costs, and taking into consideration that all the performance stages are at difficult car parking zones, it was assumed that the vast majority of festivalgoers have went by metro or by foot, making an estimation of the total spending on three Euros per person. The remaining citizens that went from other near locations reported that they would have went to the city even if the event would not exist, since they were simply enjoying the weekend, and therefore, they are not suffering direct costs from going to the event. Moreover, there is also a cost related to the goods people consume in the festival. But since it is assumed that they are rational agents that take guide their decisions in order to achieve a maximum outcome, it is likely that those purchase costs nullify with the benefits they acquire for consuming them.

As already referred, it is likely that participants have taken these benefits and costs into consideration when asked to assign a value to the event, and thus, are already incorporated in the net social benefit they derive from their participation. By making a weighted average of the individual value that people have given to the event, it was arrived at a value of nearly 6 Euros. To this amount it was added the cost of transportation, since it is assumed that beyond the price ticket, people have also to cover these costs and they do not mind to do so to take part of FML, totaling 9 Euros. Thus, it

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<sup>7</sup> Social benefits presume a fixed social-welfare function, and these variables seem to change the society's welfare function and therefore, are included in the analysis.

is possible to conclude that festivalgoers think they are benefiting on an implicit value of nine euros, amount that was thereafter scaled to the total number of festivalgoers (30 000) to arrive at an estimation of the total consumer utility earned – 270 000€. The estimation of the number of people who attend the festival was made by head counting done by volunteers at different moments of the day and also by specific counting methods in performance stages indoors. It was incorporated a factor to avoid double counting of people who went to multiple stages.

#### **4.2.2 Volunteers**

Faz Música Lisboa depends critically on the effort made by volunteers. It is a fact that volunteers derive some benefits that come in form of pride and increased utility from participating in certain activities without being paid, and this festival is not an exception. There are also some utility gains since they are able to watch performances for free, and others that come from playing an important role in helping one's organization and community. One can thus conclude that personal satisfaction, greater sense of responsibility and greater sensitivity and attention to others, are the main benefits volunteers can obtain from participating in FML. Moreover, they can also be compensated in the form of work experience that is many times a determinant factor for employers when it comes to find the first job. However, the majority of the volunteers working in Faz Música Lisboa are currently well-employed, though they wanted to acquire some experience in the music industry. Still, there are also intangible costs that come in form of the time they dispensed in the event's planning and participation. Indeed, almost all the volunteers interviewed have said that its participation had affected their personal and professional lives in terms of time, but even in this way, they want to

remain volunteers in the next editions. Overall, is possible to assume that if the costs for them were higher than the benefits, they would choose not to volunteer.

#### **4.2.3 Musicians**

According to the festival's tradition, musicians are invited to perform for free, and thus, there are not monetary benefits (payment) they can derive from participating in the event. However, it is observable by the musicians' surveys that they perceive other type (unmeasurable) of benefits, such as personal fulfillment, creation of quality entertainment, compliance of objectives, amusement, exposure to a new audience, the possibility to meet new collaborators or music recordings (which in this specific case cannot be considered as a relevant benefit since 66,7% of the respondents already had a stable recording contract) and influence a wide range of people, that could later buy their albums or pay to assist their performances. Moreover, 50% have reported that it was a great opportunity for them since they were invited to new performances after their participation in Faz Música Lisboa. Some intangible costs of being playing can come in form of opportunity costs of being playing elsewhere, but every surveyed performer have confessed that they did not lose any other opportunity in that day. Besides, musicians who have attended the festival playing with their own material, can suffer from some material deterioration. It is admitted that the net benefit for the performers should be at least zero, since they would not have accepted the invitation to performing on Faz Música Lisboa if their costs offset their benefits.



#### **4.2.4 Organization**

The net benefits for the organization of Faz Música Lisboa can be simply measured by a comparison between their revenues and costs. Since revenues come in the vast majority in form of subsidies, covering 90% of the total costs, there will be considered only the revenues and costs of selling beverages. The net value found is 1442.36€. Still, there are also intangible costs that also come in form of time lost and intangible benefits, which could come in form of supporting national musical diversity, pride for encouraging others' careers in the music industry and in form of collective-action. Planning a festival implies coordination and cooperation between all the members involved (staff and volunteers – and both have the opinion that this experience will be valuable for next editions), and there might be some learning effects that could improve their management and planning skills, and thus, it is likely to expect that in next years they will be better prepared and a small number of labor hours will be necessary for planning the event and arrive to an equal or higher quality level.

#### **4.2.5 Institutional Agents**

There are currently several institutional agents responsible for financing and sponsor the event. As already referred, the major part of the subsidies comes from private institutions, such as BNP Paribas and Musicbox Lisboa. Besides, there are also both local public institutions such as parish councils, University of Lisbon, and Lisbon's City Hall involved in the event's organization, and some private local institutions, such as Jerónimo Martins and Super Bock from where financial support mainly dedicated to sponsorship and selling of beverages, comes.

For all of them we can consider as main intangible benefits the pride and satisfaction of developing of a cultural event for the entire society, the inherent increase of visibility and public awareness of those institutions, an improved profile of those in charge of them, and the promotion of social cohesion and social responsibility. Indeed, as revealed by a study made by Matilde Ribeirinho, “the presence of brands in the festivals will inevitably bring notoriety, as well as the so-called brand recall (...) and brand recognition”. She also emphasize that “[a festival], if well organized, tend to provoke positive emotions, making festivalgoers more likely to receive everything the event has to give, including brand messages” (APORFEST, 2015).

Obviously, the financial support that comes in form of subsidies are the main cost for these institutional agents (15 811,28 €), although they are compensated in form of counterparts or money generated by selling beverages (3 275€), for instance. Moreover, these institutions incur the risk of misallocate funds.

#### **4.2.6 Remaining Community**

As a matter of simplification, in this group they will be included the positive and negative impacts of the event on service providers (provide sound systems, instruments, and other necessary materials), on some local private agents, such as shopping facilities, and on the remaining citizens of Lisbon.

Concerning the service providers, one can consider as the main benefit the payment they receive from the organization for using their services, which can be seen as an increase on their business opportunities. Once again, as costs one can identify costs of opportunity – since their services could have been useful for other purposes where they could have received a higher payment – and material deterioration, which

are impossible to measure. However, taking into account the assumption of rational agents, they would not have accepted to provide their services to Faz Música Lisboa if they had a better business opportunity or if they thought that they will not benefit enough from it to cover the inherent costs.

Regarding the establishments around the performance stages, it was made an effort to get some information on how the festival has impact on the number of sales. Those who have shown some willingness to answer such question have revealed that in the day of the event they have on average around 200 more people, spending more than five Euros each – value that increase exponentially at later hours of the day – which has great positive impact on the establishment. Even though they have more clients, they don't feel that they might be losing other potential ones due to the overcrowding and that also have the opinion that this situation does not justify the need of calling more people to work for that day. They have emphasized that after all, it is a great opportunity to do business.

Additionally, from the surveys conducted to ninety Lisbon's residents (N=90) who have not been to the festival, it was possible to extract a list of several benefits and costs they expect to occur due to the festival, and the level of those specific impacts as well<sup>8</sup>. On Table 2, it is possible to find the frequencies of the people's expectancies and an average of the associated level of impact. To denote that only people that have answered "Yes" were able to evaluate the level of impact. In order to foster good public relations with the community, it is of an extreme importance to know the local residents perceptions of the festivals since they will greatly contribute to the acceptance or rejection of the project. Still, it is not clear whether the sample is relevant, and the

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<sup>8</sup> Benefits and costs with a level of impact below 5 were excluded from the analysis, as it seems they are not relevant to the community.

reasons why they did not attend the festival are unknown – they could have decided not to go because they will get no benefits from it, or simply because they were not aware of its existence.

### **4.3 Society's Welfare**

Several benefits and costs have been discussed throughout this analysis to get an overview of how Faz Música Lisboa has impact on the stakeholders that are directly or indirectly related with it, totaling a net benefit of 255 63€. Since it was not possible to arrive at monetary estimations for several potential benefits and costs, it is likely that total net benefits would come somehow minimized. Monetary and non-monetary estimations of the identified benefits and costs are summarized in Table 3 and 4, respectively. By all accounts, it is reasonable to claim that the festival increases the social welfare and therefore, a great fraction of the society would lose in its absence.

Lisbon's City Hall has as main purpose the maximization of the well-being of all residents of the city, even if only to gain further supporters that would ensure the permanence of the person who are in charge of, in the presidency. FML may contribute to that through spending increases, allowing for GDP growth and other intangible returns, what could justify a higher institutional involvement. Still, as already referred, the festival can be held only using private means and at first sight there seems to be no incentives to do so – a positive impact on some private agents and an increase on social welfare by meeting individual interests, are factors which are not sufficient to justify resource public allocation. However, the organization believes that, since the budget for communication is extremely low and there is capacity to receive much more people to the stages, there is potential for a greater institutional support in terms of the event's

promotion, which would bring more people who do not even know that the festival occurs. Indeed, if the event reached its total capacity<sup>9</sup>, using the same type of framework, it was estimated a net benefit of at least 892 114€<sup>10</sup>. Once again, is not clear whether intangible benefits would overcome intangible costs in this hypothetical situation. Relying upon previous deductions, one can assume that the relevance and strength of those benefits considered previously would increase since more people would be positively affected. The residents' expectancy of those impacts occurring and the importance they place on them would likely increase as well. With a higher affluence to the festival, it is probable that overcrowding problems emerge; lead to bad crowd behaviors; and volunteers and organizers would have to dispend more time and resources to accommodate more people, which could lead to a decrease in the general satisfaction and well-being.

Still, as the estimation of consumer utility more than covers the current financial support, this amount is by itself a reason to justify a higher public involvement, considering as an ultimate aim, the maximization of the population's social welfare.

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<sup>9</sup> An estimation of 100 000 festivalgoers, based on the venue's capacity and on the number of music hours –nine performance stages with an average of five hours per stage.

<sup>10</sup>See Table 5

## **Chapter Five: Conclusion**

This paper has tried to study the impact of Faz Música Lisboa 2014 on the society, to justify its viability and institutional support. The framework chosen to do that was a cost-benefit analysis in an attempt to attain deductions about the net social benefit, making simple, and as accurate as possible, comparisons between the benefits and the costs perceived by the agents affected by the event. It has been found that the starting point of the estimation of the net social benefit of the festival is positive, even accounting the limited data available, although the estimations might be below their true level. This occurs because the true feasibility of the festival relies mainly on impacts for which we were not able to find monetary values.

Using the cost-benefit analysis instead of other frameworks, such as impact analysis, one is capable of recognizing the social benefit of the music performed and the whole festival's experience, rather than focus the attention on local job creation or spending. Actually, non-profit music festivals such as the one in study, offer limited job creation and visitor expenditure, whereby traditional impact analysis seem not to be adequate approaches to the problem. On the other hand, there are many other intangible but still existent social variables, which could positively impact a community and be an important booster for cultural and regional development, though often forgotten and not taken into consideration. When appropriately considered, net social benefits can determine whether cultural activities increase social welfare. It is important to emphasize that there is a need of incorporating all those "non-economic" benefits although they cannot be valued, because they are really exclusive to culture (such as musical diversity and shared experience).

The net benefits that exist and were considered “at least zero” are very real and should not be overlooked. Indeed, festivals like this one are increasingly important for musicians in building and expanding their audiences, offer new opportunities to develop regional tourism, promote the use of public facilities and leads to an increase on the range of recreational opportunities. Overall, it was estimated a positive net social benefit of Faz Música Lisboa as one could have expected. Due to its dimensions and number of performance days, it was likely that its existence lead to an increase in welfare and life quality rather than impact significantly in terms of ecological problems, for instance.

This optimistic conclusion can be transformed into a strong argument to justify a higher involvement of public institutions. It was also seen that the social net benefits would increase even more if the event got its total capacity. This would vindicate greater involvement to reach a larger number of people, as it is already happening in other countries. This higher involvement and support might be provided in terms of media aids – communication channels – which would improve significantly the awareness of the event and of the supporting institutions as well, and consequently, increase the overall impact of the festival. Non-financial support might me a valuable way to do that, since public institutions, such as Lisbon’s City Hall, are able to acquire media at a lower cost than if supported by the organization.

To conclude, it has been proven that this is a sustainable project as it brings benefits to a great portion of the society, hence its expansion throughout the entire world.

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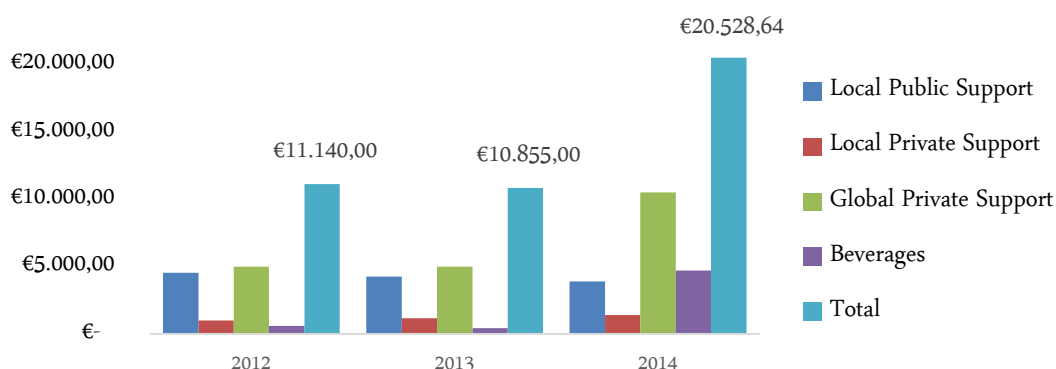
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## Appendix A: Tables and Figures

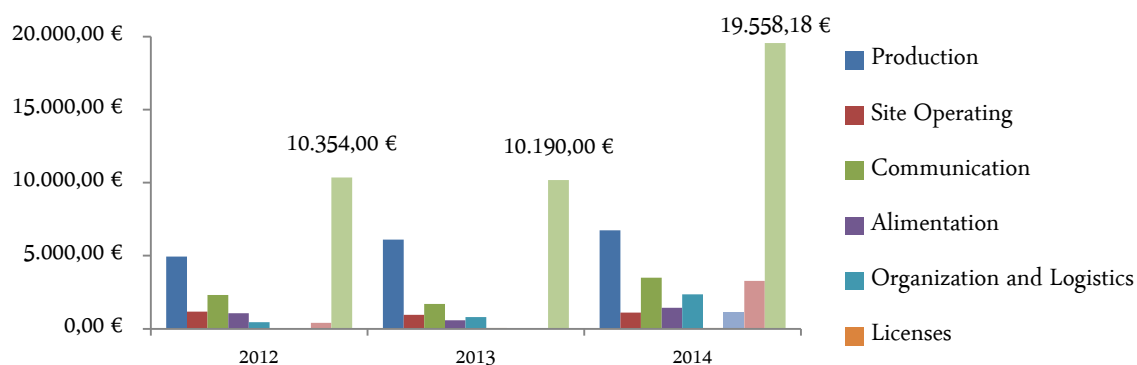
**Table 1 – Revenues and Costs of Faz Música Lisboa from 2012 to 2014**

		2012	2013	2014
<b>Revenues</b>	Local Public Support	4 550,00 €	4 265,00 €	3 900,00 €
	Local Private Support	1 000,00 €	1 160,00 €	1 411,28 €
	Global Private Support	5 000,00 €	5 000,00 €	10 500,00 €
	Beverages	590,00 €	430,00 €	4 717,36 €
	<b>Total Revenues</b>	<b>11 140,00 €</b>	<b>10 855,00 €</b>	<b>20 528,64 €</b>
<b>Costs</b>	Production	4 935,00 €	6 108,00 €	6 736,83 €
	Site Operating	1 166,00 €	963,00 €	1 100,00 €
	Communication	2 313,00 €	1 690,00 €	3 505,60 €
	Alimentation	1 061,00 €	581,00 €	1 435,00 €
	Organization and Logistics	453,00 €	800,00 €	2 355,00 €
	Licenses	16,00 €	48,00 €	48,00 €
	Counterparts	0,00 €	0,00 €	1 102,75 €
	Beverages	410,00 €	0,00 €	3 275,00 €
	<b>Total Costs</b>	<b>10 354,00 €</b>	<b>10 190,00 €</b>	<b>19 558,18 €</b>
<b>Margins</b>		<b>786,00 €</b>	<b>665,00 €</b>	<b>970,47 €</b>

**Figure 1 – Evolution of Revenues – Faz Música Lisboa, 2012 - 2014**



**Figure 2 – Evolution of Costs, Faz Música Lisboa, 2012 – 2014**



**Table 2 – Expectancy’s Frequencies and Level of Impact**

Benefits & Costs	Expectancy	Frequency	General Impact	Benefits & Costs	Expectancy	Frequency	General Impact	Benefits & Costs	Expectancy	Frequency	General Impact
<i>Restoration of public facilities</i>	Yes	49	8	<i>Increase job opportunities</i>	Yes	62	7	<i>Noise Pollution</i>	Yes	61	9
	No	21			No	22			No	26	
	Don't Know	12			Don't Know	6			Don't Know	3	
	Total	82			Total	90			Total	90	
	Missing	8			Missing	0			Missing	0	
	Total	90			Total	90			Total	90	
<i>Increase future use of existing recreational and leisure activities</i>	Yes	61	8	<i>Increase welfare and life quality</i>	Yes	46	6	<i>Increase price of goods and services</i>	Yes	52	6
	No	7			No	30			No	33	
	Don't Know	14			Don't Know	14			Don't Know	5	
	Total	82			Total	90			Total	90	
	Missing	8			Missing	0			Missing	0	
	Total	90			Total	90			Total	90	
<i>Impacts on the region's cultural identity</i>	Yes	48	9	<i>Increase extraordinary experiences</i>	Yes	71	7	<i>Damage of public facilities</i>	Yes	46	6
	No	23			No	4			No	24	
	Don't Know	10			Don't Know	7			Don't Know	12	
	Total	81			Total	82			Total	82	
	Missing	9			Missing	8			Missing	8	
	Total	90			Total	90			Total	90	
<i>Increase business' opportunities</i>	Yes	70	8	<i>Crowded footpaths and streets</i>	Yes	68	9	<i>Traffic Congestion</i>	Yes	65	9
	No	13			No	14			No	24	
	Don't Know	7			Don't Know	8			Don't Know	1	
	Total	90			Total	90			Total	90	
	Missing	0			Missing	0			Missing	0	
	Total	90			Total	90			Total	90	
<i>Increase local awareness</i>	Yes	59	10	<i>Public transport services congested</i>	Yes	66	8,5				
	No	24			No	16					
	Don't Know	7			Don't Know	8					
	Total	90			Total	90					
	Missing	0			Missing	0					
	Total	90			Total	90					

**Table 3 – Cost-Benefit Analysis: Faz Música Lisboa 2014**

	<b>Benefits</b>	<b>€</b>	<b>Costs</b>	<b>€</b>	<b>Net Benefits (€)</b>
<b>Festivalgoers</b>	Consumer surplus	270 000 €		- €	270 000 €
<b>Organization</b>	Revenues (beverages)	4 717 €	Costs (beverages)	3 275 €	1 442 €
<b>Institutional Agents</b>		- €	Financial Support	15 811 €	-15 811 €
				<b>Total Net Benefit (at least)</b>	255 631 €

**Table 5 – Cost-Benefit Analysis: Faz Música Lisboa (with total capacity)**

	<b>Benefits</b>	<b>€</b>	<b>Costs</b>	<b>€</b>	<b>Net Benefits (€)</b>
<b>Festivalgoers</b>	Consumer surplus	900 000 €		- €	900 000 €
<b>Organization</b>	Revenues (beverages)	12 700 €	Costs (beverages)	4 775 €	7 925 €
<b>Institutional Agents</b>		- €	Financial Support	15 811 €	-15 811 €
				<b>Total Net Benefit (at least)</b>	892 114 €

**Table 4 – Summary of Perceived Intangible Benefits and Costs for the Stakeholders**

<b>Benefits</b>	<b>Costs</b>
<ul style="list-style-type: none"> <li>• Shared experience</li> <li>• Pleasure of listening to music in pleasant open spaces</li> <li>• Sociability and conviviality</li> <li>• Goods consumed</li> <li>• Less search costs</li> <li>• Taste-related externalities</li> <li>• Volunteer’s personal realization</li> <li>• Increased volunteer’s work experience</li> <li>• Musicians’ personal fulfillment</li> <li>• Creation of quality entertainment</li> <li>• Expose musicians to a new audience</li> <li>• Musicians have the possibility to meet with new collaborators</li> <li>• Opportunity to receive invitations for other performances</li> <li>• Supporting national musical diversity</li> <li>• Supporting careers in music industry</li> <li>• Learning effects for next editions</li> <li>• Opportunity to develop a cultural activity</li> <li>• Increased awareness and visibility of institutional agents</li> <li>• Promotion of social cohesion and responsibility</li> <li>• Monetary benefits for service providers</li> <li>• Increased local’s awareness</li> <li>• Increased business opportunities</li> <li>• Increased job opportunities</li> <li>• Increased local cultural identity</li> <li>• Increased welfare and life quality</li> <li>• Increased future use of recreational and leisure activities</li> <li>• Educate society through cultural activities</li> </ul>	<ul style="list-style-type: none"> <li>• Transportation costs</li> <li>• Goods consumed</li> <li>• Opportunity costs</li> <li>• Material deterioration</li> <li>• Risk to institutional agents of misallocate funds</li> <li>• Less time to personal and professional activities</li> <li>• Potential bad crowd behavior</li> <li>• Noise disturbance</li> <li>• Crowded footpaths and streets</li> <li>• Damage of public spaces</li> <li>• Traffic congestion</li> </ul>

## Appendix B: Festivalgoers' Survey

Nova School of Business and Economics

Masters in Management

Economic and Social Impact of Faz Música Lisboa – 2014

*Under my Master in Management at Nova School of Business and Economics, I am conducting a study on the economic and social value of urban festivals such as the Faz Música Lisboa. As such, I would like to invite you to answer some questions. The answers are anonymous and will not be included in the project if you wish.*

### Visitor Profile

Age	Sex	Profession
City/Region		

Marital Status	Single	
	Married	
	Divorced	
	Widower	

Average Annual Income	< 10000 €	
	10 000 a 50 000€	
	50 000 a 200 000€	
	>200 000€	
	No own income	

1. If you are not from Lisbon:
  - a. What reasons led you to visit the city?
  - b. Where you will stay during your stay?
2. Do you usually go to cultural events?
  - a. Of what kind?
3. What are your preferred musical genres? (Maximum three)
4. Rate from 1 to 10 the importance of the following criteria in going to a festival:

Music Genres		Meet new artists	
Watch performers you know and appreciate		Tourism	

Festival Activities		Friends' Suggestions/Popularity	
Sociability			
Others (specify)		A:	

### About the Faz Música Lisboa

1. How have you heard about the festival for the first time?
2. In how many editions of FML have you been so far?
3. How many performance stages have you visited?
4. Since admission is free, can you assign a value in euros to the welfare you obtain by attending the concerts? Imagine for example you are in a comfortable financial situation, what fair value you think you should be charged for entry? Would you be willing to pay the amount mentioned to attend the party?
5. What motivated you to come to this festival? Rate from 1 to 10 the importance of the following criteria.

Music Genres		Meet new artists	
Watch performers you know and appreciate		Tourism	
Festival Activities		Friends' Suggestions/Popularity	
Sociability			
Others (specify)		A:	

6. On a scale of 1 to 10, where 1 is Not Satisfied and 10 is Very Satisfied, how do you evaluate this festival?

1	2	3	4	5	6	7	8	9	10	NA/DN
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7. Evaluate the following aspects of the event.

	Excelent	Above average	Median	Below average	Bad
Event's Promotion					
Program					
Entertainment					
Location					

Alimentation					
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8. Do you pretend to come back in future editions?

*Thank you for your time!*



## Appendix C: Musician's Survey

Nova School of Business and Economics

Masters in Management

Economic and Social Impact of Faz Música Lisboa – 2014

*Under my Master in Management at Nova School of Business and Economics, I am conducting a study on the economic and social value of urban festivals such as the Faz Música Lisboa. As such, I would like to invite you to answer some questions. The answers are anonymous and will not be included in the project if you wish.*

1. Sex  
Female  Male
2. How long have you been a musician?
3. Have you ever performed at Faz Música Lisboa before?  
Yes  No
4. Do you have a recording contract?  
Yes  No
5. Have you obtained a recording contract after your performance at Faz Música Lisboa?  
Yes  No
6. Were you invited to perform at other events due to your performance at Faz Música Lisboa?  
Yes  No
7. Have you lose the opportunity of being performing at somewhere else due to your performance at Faz Música Lisboa?  
Yes  No
8. Do you regularly perform at other festivals?  
Yes  No

If YES, how many each year?

9. How important to you are the following benefits of performing at festivals?

	Very Important	Important	Not Important	No opinion
Exposure to new audience				
Contact with people in the music industry				

Paying work				
Contact with other performers or possible collaborators				

10. Are there other benefits to you of performing at festivals that are not mentioned before?  
 Yes  No

If YES, list some of them:

11. Do you think that the organizers can improve those benefits to you and other performers?  
 Yes  No

12. Do you think that Faz Música Lisboa brings benefits to the whole society?  
 Yes  No

If YES, list some of them:

*Thank you for your time!*