Melbourne as a Global Cultural Destination

Final Report (Summary)

THE BOSTON CONSULTING GROUP

Note to reader

The Melbourne as a Global Cultural Destination project focused on Melbourne, and areas within 5 km of the CBD

Across the project timeframe, BCG engaged with ~60 key Art Agencies CEOs/Board members and Thought Leaders across the sector, as well as running a series of idea generation workshops with Creative Victoria

On the basis of project findings, five strategic priorities have been recommended with an initial view of the actions within each priority, particularly with regards to improving the cultural offer

The following was agreed as outside the scope of this piece of work

- Consideration of the regional creative and cultural offer
- Analysis / or advice on initiatives which would be funded or managed by other parts of Government (e.g. affordable housing)
- Detailed assessments of any of the individual investment proposals

Agenda

Executive Summary (1/3)

Melbourne has a compelling creative and cultural offer; the city attracted >10m Australian and international visitors in 2015

- Diverse offer: fast-growing NGV, ACMI and Arts Centre; Museum Victoria attracting 3x the audience of the National Museum of Australia; highest concentration of commercial galleries in Australia; country's leading commercial theatre sector; growing Comedy and International Film festivals; blockbuster exhibitions; world's highest concentration of live music venues
- Growing cultural visitors at a faster rate than all Australian capitals except Hobart; half of these visitors come from Victoria and NSW. Creative experiences are one of the main reasons people visit Melbourne; 69% of visitors think the city is "creative"[1]
- Cultural experiences are the second most common reason for visiting (after seeing friends), especially the NGV and Museum
- Creativity and culture are part of a broader offering that includes sport, food and wine, the environment and shopping

Cultural visitors — and creative industries — drive significant economic benefits; cultural tourism projected to grow further

- Creative industries generated 8% of employment in Victoria in 2013. Its GVA share (currently 8%) is growing relative to the rest of the Victorian economy. Creative industries and cultural tourism contributed ~$23b to the State economy in 2015
- Cultural tourism could be ~40% of all tourism by 2025 (32% today); China travellers are the key growth segment
- Cultural visitors stay 25% longer than average in Australia and spend 20% more per trip than visitors on average

However, Melbourne's position as Australia's cultural and creative capital is being challenged

- According to the Global Traveller Survey, domestic visitors think Melbourne is the most creative Asia Pacific city (38%, ahead of 28% for Sydney) but international visitors think Sydney is the most creative city (34% versus 23% for Melbourne)
- Other cities are investing heavily in cultural infrastructure: NSW is planning to spend $600m on projects such as the Walsh Bay Arts Precinct and the redevelopment of the Opera House, and has flagged additional investments in infrastructure such as Sydney Modern, the Powerhouse Museum and Carriageworks. WA has invested $430m in the New Museum for Western Australia; the SA Government is considering a new contemporary cultural institution

On a global index of cultural and creative cities, Melbourne ranks first in Australia, third in Asia and 12th globally

- The index calculates the extent to which a city has the features of a best-in-class cultural and creative city using five metrics[2]
- London, New York and Paris are in the top three positions; other second cities such as Chicago are in the top 10 positions
- Melbourne performs strongly on the quality of its offer, but less well on its social media footprint and city ranking by consumers

1. The Global Traveller Survey was conducted online in October 2016. 2,457 adults from Australia, NZ, China, Hong Kong, Malaysia, Singapore, UK and US who had visited Australia or who were planning to visit were asked about their creative and cultural travel preferences and their experiences in Melbourne and other Australian cities. 2. The five metrics are the share of the city's workforce employed in cultural and creative industries; the average percentage of excellent reviews for the city's 10 most popular creative and cultural attractions on TripAdvisor; the number of times a particular city is listed on expert 'Top' lists for cultural and creative experiences and infrastructure; the city's social media "buzz" (measured by the number of Facebook likes, Twitter Followers and Instagram followers the city has, as well as the number of times that the name of the city is hashtagged on Instagram; the city's ranking as a cultural and creative destination on a global survey of travellers

Executive Summary (2/3)

Melbourne has clear strengths to build on as a cultural and creative city

- A strong base of cultural infrastructure, driven by live music venues, and an average number of galleries per capita vs. other cultural and creative cities; however it has relatively fewer museums and theatres[1]. The city has a unique blend of contemporary and historical cultural buildings, such as the State Library, the heritage theatres, Federation Square and ACCA
- Some parts of Melbourne's cultural offer are strong and attracting growing audiences: NGV visits grew 50%, ACMI visits grew 27% and Arts Centre visits grew 7% from 2010-15; audiences to the East End Theatres are also growing
- A vibrant small/medium sector; some institutions leading the way on cross-sector collaboration and small/medium support to maintain and encourage creativity in this sector
- Good governance: Creative State Strategy is supported by sector; relatively strong inter-agency collaboration (e.g. meetings of CEOs, marketing teams, etc). The establishment of Creative Victoria aligns creative industries with economic development

However, there are some weaknesses to address to further improve Melbourne's cultural and creative offer

- 90% of Arts Agencies and Thought Leaders believe Melbourne's cultural offer is not clearly articulated or cutting through International visitors are 25% more likely to recommend Melbourne as a creative destination after visiting (versus before)
- Several gaps in Melbourne's offer, e.g. museum offer, world class contemporary art gallery, modern museums/galleries of science and design. Some parts of offer are losing audiences
- It can be difficult for visitors to access the breadth/depth of Melbourne's offer, with no central source of Melbourne information
- Workshop, studio and exhibition space appears to be declining in the City, and the affordability of remaining space is low, which risks a "hollowing out" of Melbourne's cultural and creative sector, and the "buzz" it generates for locals and visitors
- Melbourne is seen as lacking the kind of icon associated with major uplifts in visits elsewhere (eg., MONA increased Hobart visitation ca. 8%); Thought Leaders have mixed views on need for new infrastructure

These findings suggest five strategic priorities to improve Melbourne's position as a global cultural and creative destination, which may lift Melbourne's position on the Performance Index

1. *Increasing consumer awareness of Melbourne:* clear creative city messages, targeting priority segments, growing awareness
2. *Protecting existing infrastructure:* expanding supply of creative working spaces, addressing critical maintenance backlog
3. *Optimising the current offer:* building an integrated marketing, sales and reviews platform, enhancing attraction connectivity
4. *Expanding the offer:* strengthening festivals, events and institutions and investing in new infrastructure
5. *Enhancing governance:* improving agency collaboration for mutual gain (e.g., digital); improve investment processes

1. Compared to 18 other major cultural and creative capitals, Melbourne ranks fourth highest in per capita assets (museums, galleries, theatres and live music venues)

Objectives of this project

1. Define the **characteristics of Melbourne's cultural and creative offer** and its **national and international brand** as a cultural and creative destination
2. Compare this offering with **existing and emerging competitors** regionally and worldwide
3. Better understand the **current cultural tourism market**, its **changing dynamics** and **expected evolution** over the longer term
4. Develop **ambitious, aspirational goals** for Melbourne to improve as a cultural and creative destination
5. Develop a framework and index (backed by a clear rationale and methodology) to **measure Melbourne’s cultural and creative offering and reputation** and **track progress** against goals
6. Make **recommendations on actions to achieve these goals** and to provide the strongest value for money outcomes for the State

Agenda

Executive Summary

Context

Performance Index

Assessing Melbourne against best practice

Cultural travellers and trends

Strategic priorities

Next steps

Creativity and culture are one part of the offer - focus of this work

Melbourne's offering is broad, covering five sectors

Sports and recreation

Restaurants, cafes, bars

Environment and heritage

Creative and cultural

Shopping

"Creative industries are an evolving mix of sectors spanning ***arts, culture, screen, design, publishing and advertising****. They cover disciplines as diverse as* ***game development and graphic design, fashion and filmmaking, performing arts and publishing, architecture and advertising, media and music, comedy and craft****. They include activities that are commercially-driven and community based, experimental and export-intense"*

- Creative State, 2016

Focus of this work

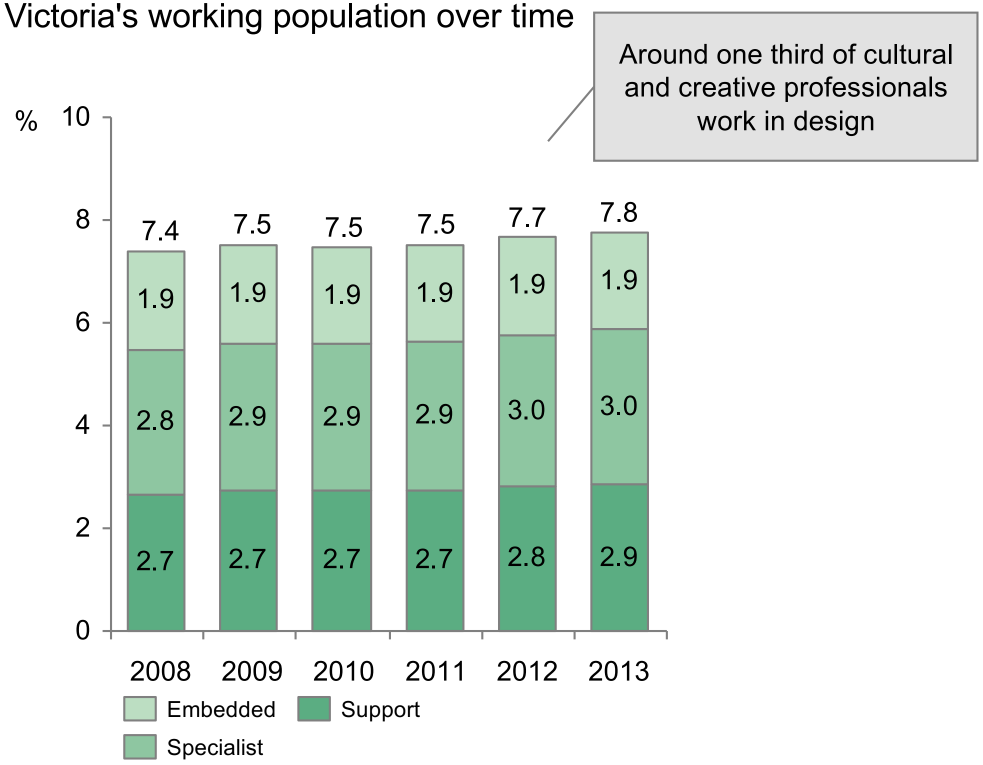
Creative industries increasingly important to the economy

Workers in the cultural and creative economy generate slightly more GVA* than the average Victorian worker

*GVA (gross value add) is the measure of the value of goods and services produced in an industry. It is used as a basic indicator of economic output.

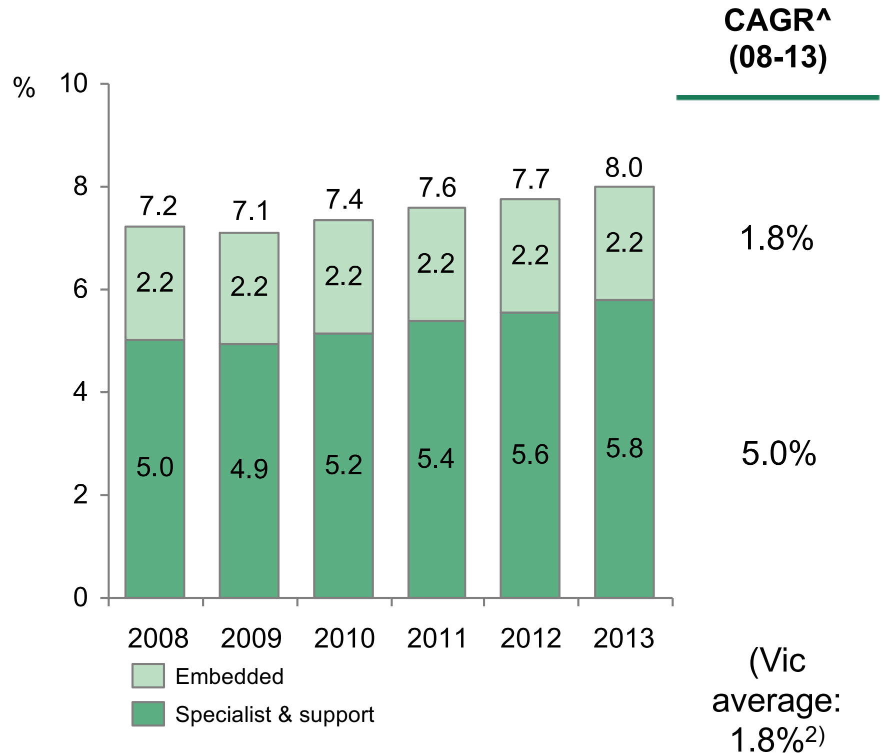
The cultural and creative economy represents ~8% of Victorian employment ...

C/C (cultural and creative) economy employment as % of Victoria's working population over time



.. and its GVA share is growing relative to the Victorian economy

C/C economy GVA as % of Victoria's Industry GVA over time[1]



^CAGR (compound annual growth rate) is a measure of the (compounding) growth in value of an initial investment over time.

1. Industry GVA excludes GVA due to ownership of dwellings, which was approximately 9% of Victoria's GVA in 2013 2. National accounts data suggests 2.1% is Victorian growth rate, however data used by analysis indicate 1.8% - sourced from RDV GVA data

Source: BCG analysis; Census data 2011 (ANZSIC and ANZSCO 4-digit codes for Victoria); Labour force statistics 6271.0.55.003 employment by industry group; GVA data sourced by RDV, ABS

Melbourne offers diverse cultural and creative experiences

Sources: Music Victoria: Victorian Music Fast Facts; ACMI: "Announcing ACMI X – Notes for Editors"; UNESCO: Creative Cities Network; Music Victoria: Victorian Music Fast Facts; Melbourne International Games Week: About Us; Business of Fashion: Global Fashion School Rankings 2015; The Art Newspaper, 31 March 2016; Melbourne International Comedy Festival, "Our Story"; Museums Victoria: About; Melbourne International Film Festival: About; The Art Newspaper, as reported in Melbourne Art Network, 7 April 2016, "NGV attendance figures rank alongside major international museums"; Wallis Strategic and Social Market Research for DEDJTR: Victoria Design 2015; World Cities Forum – Melbourne City Data

Melbourne seen as a cultural and creative city

Melbourne perceived by Australians as the country's leading cultural city[1]

57% *think Melbourne is a great cultural city (Sydney 16%)*

50% *think Melbourne is a great city for theatre (Sydney 31%)*

36% *think Melbourne is Australia's live music capital (Sydney 25%)*

32% *think Melbourne has a reputation as the centre for design and innovation (Sydney 26%)*

International travellers also perceive Melbourne as a creative city[2]

74% *agree that there are a lot of creative attractions, events & experiences in Melbourne*

69% *agree that Melbourne is a creative city*

62% *think Melbourne is a better creative holiday destination than other cities in ANZ*

61% *think Melbourne is a better creative holiday destination than other cities in Asia*

1. Roy Morgan Research Brand Health Surveys (2015) 2. Global Traveller Survey (2016)

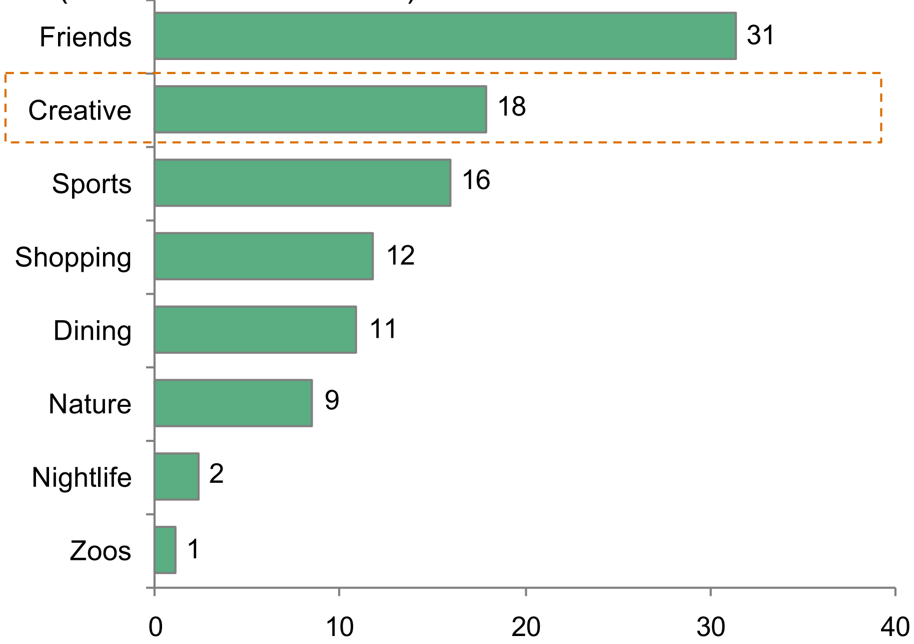
Creative experiences are one of top three reasons people visit

This is true for both international and Australian visitors

Question: Thinking about your last trip to Melbourne, please rank the top 3 reasons why you visited

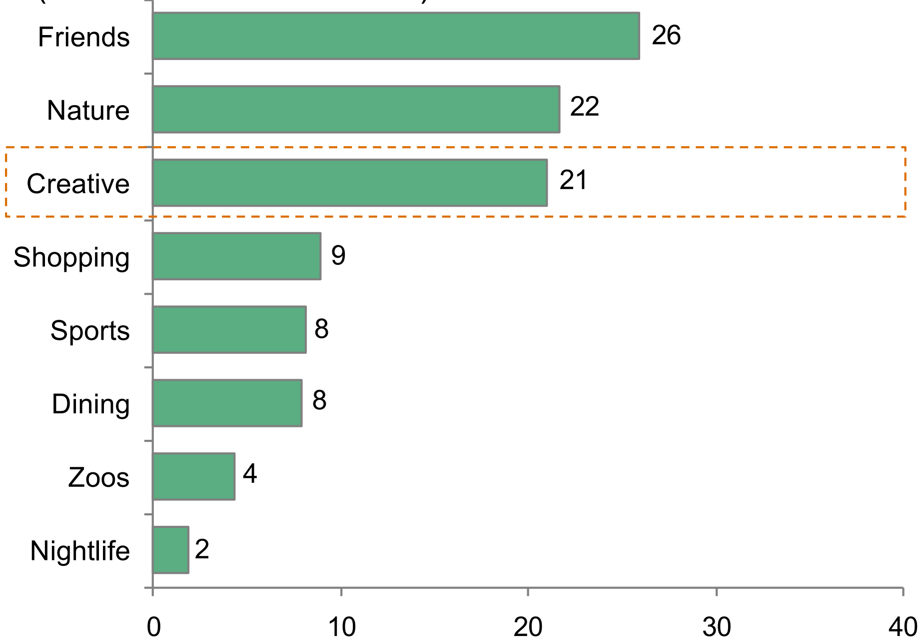
Creative experiences are the second most common reason for Australian visitors ...

Domestic: Primary reason for visiting Melbourne (% of Australian visitors)



... whereas internationals selected creative as the third most common reason for visiting

International: Primary reason for visiting Melbourne (% of international visitors)



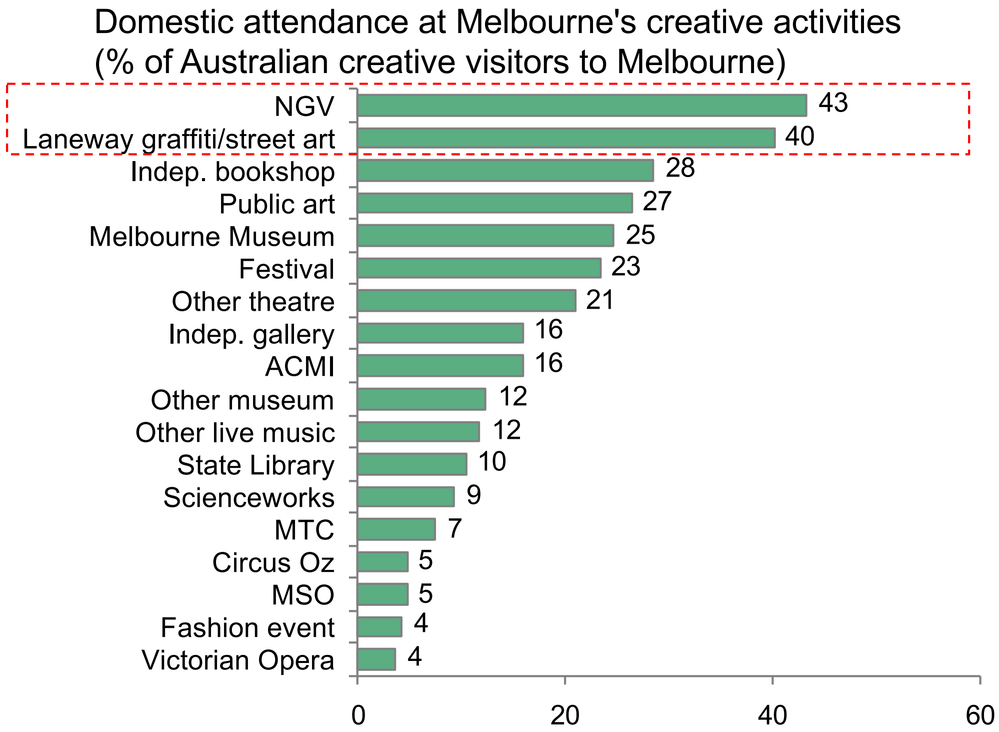
Survey question 2.34 Thinking about your last trip to Melbourne, please rank the top 3 reasons why you visited: Visiting friends/family; Creative events, attractions, and experiences; Sports events and/or attractions e.g. Melbourne Cup, Australian Open, Melbourne Cricket Ground; Nature, such as beaches and botanic gardens; Restaurants and cafes; Bars and nightclubs; Opportunities to shop for leisure; Aquariums and zoos
Source: Global Traveller Survey (2016)

Broad range of cultural attractions attended by visitors

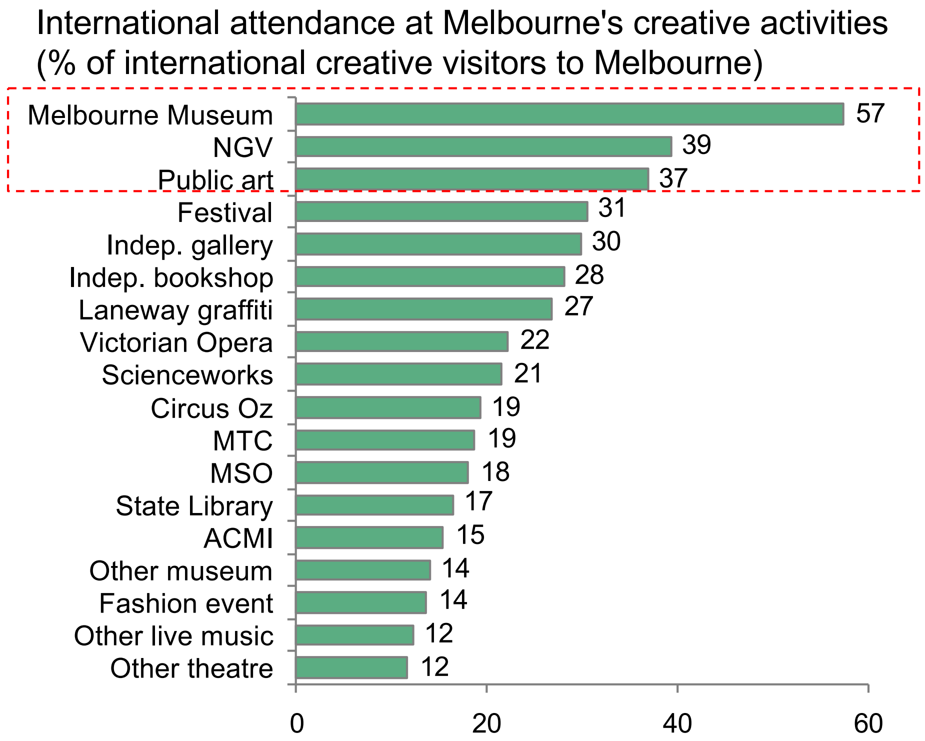
Museum 2x as popular with international visitors than with Australians; NGV highly attended by both

Question: Which of the following creative activities did you attend? Response options are listed in the charts below

NGV, laneway graffiti/street art most popular attractions for domestic visitors



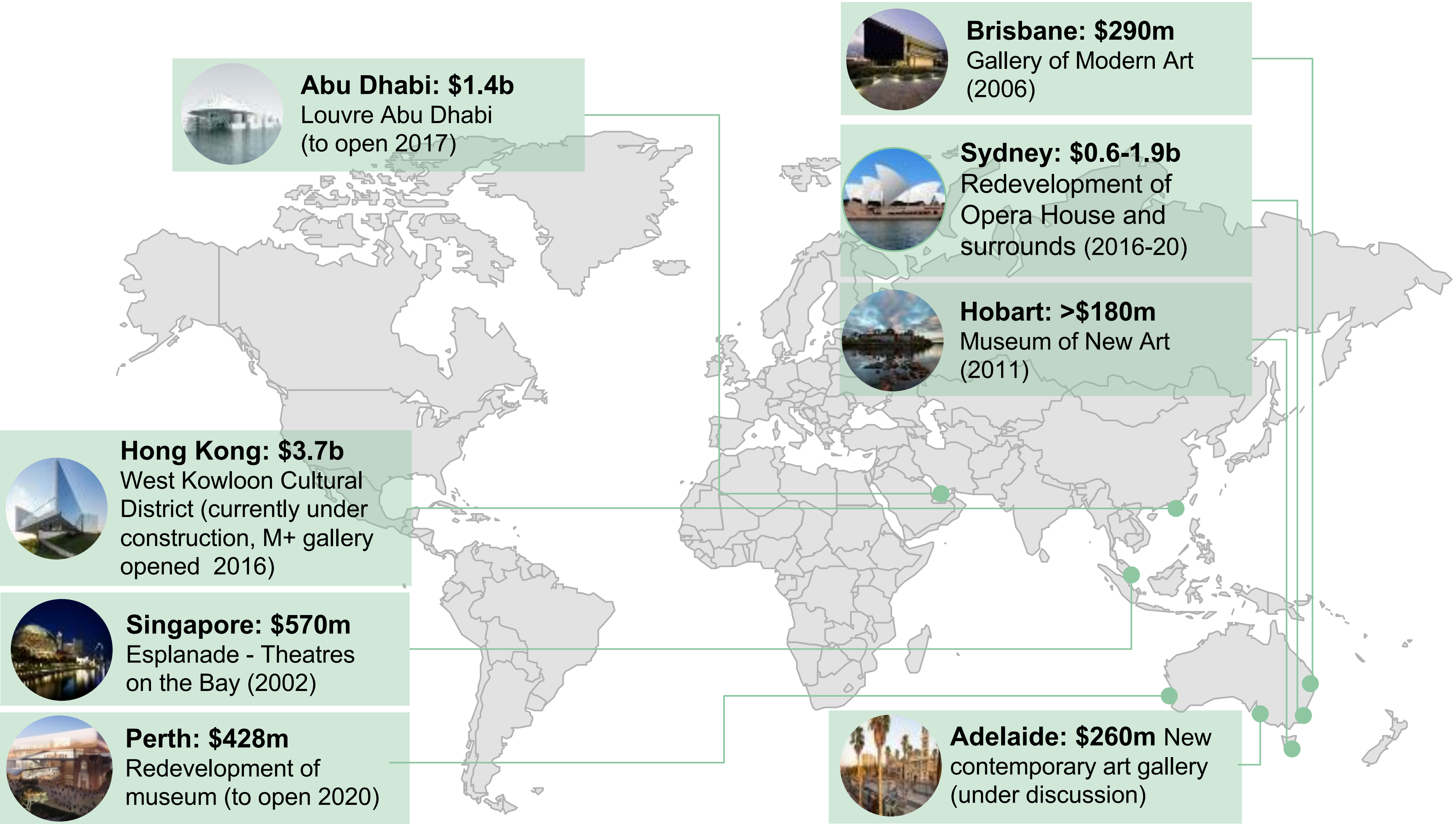
Melbourne Museum, NGV and public art most popular for international visitors



Survey question 2.42: Which of the following did you attend? Response options as per chart above, plus M Pavilion, Other Classical Music, Wheeler Centre, Malthouse Theatre, Other Dance Performance, and Other Creative Activity, which have been excluded from the chart as they were attended by <10% Many travellers attended more than one creative activity
Note: "Creative visitors" are those who reported participating in at least one creative activity on their trip to Melbourne. Many of the travellers who saw MTC, MSO, and/or the Victorian Opera will have done so at Arts Centre Melbourne.
Source: Global Traveller Survey (2016)

Competition for creative and cultural tourism is strong

Governments around the world have been and will continue investing in cultural infrastructure



Sources: Abu Dhabi: Faithful+Gould "The Louvre, Abu Dhabi" (quoted cost for construction only); Sydney: Create in NSW: The NSW Arts & Cultural Policy Framework (2015); 9 News (11 August 2016): "Sydney Opera House reveals what $202m upgrade will look like"; Brisbane: Stead (2015): The Brisbane Effect: GOMA and the Architectural Competition for a New Institutional Building. Hong Kong: West Kowloon Cultural District Authority Ordinance, cap. 601 (2008); Singapore: Singapore Government: History SG "Esplanade – Theatres on the Bay Opens"; Adelaide: *The Advertiser,* 27 August 2016, "Call for new site as Art Gallery of SA collection revalued at $1bn"; Hobart: *The Australia,* 4 October 2014, "David Walsh: from shy misfit to big-time gambler who founded MONA". Quoted cost includes building, fitout, and exhibits. Perth: *ABC News,* 31 July 2016, "New WA Museum blends old with new in 'bold, distinctive' design"; museum.wa.gov.au/newmuseum.

Agenda

The Performance Index comprises five metrics

Collectively, the metrics measure a city's attractiveness as a global cultural and creative destination

A Cultural and creative people want to study and work here

B Cultural and creative sectors are supported

- 1 % Workforce in Cultural and Creative industries

C City offers quality cultural and creative experiences

- 2 % Excellent reviews on TripAdvisor
- 3 # Times listed in expert 'Top' lists

D Consumers are aware of these experiences

- 4 Social media "buzz" score
- 5 Cultural Traveller Survey ranking[1]

E The broader city environment is attractive

F The sector is well governed

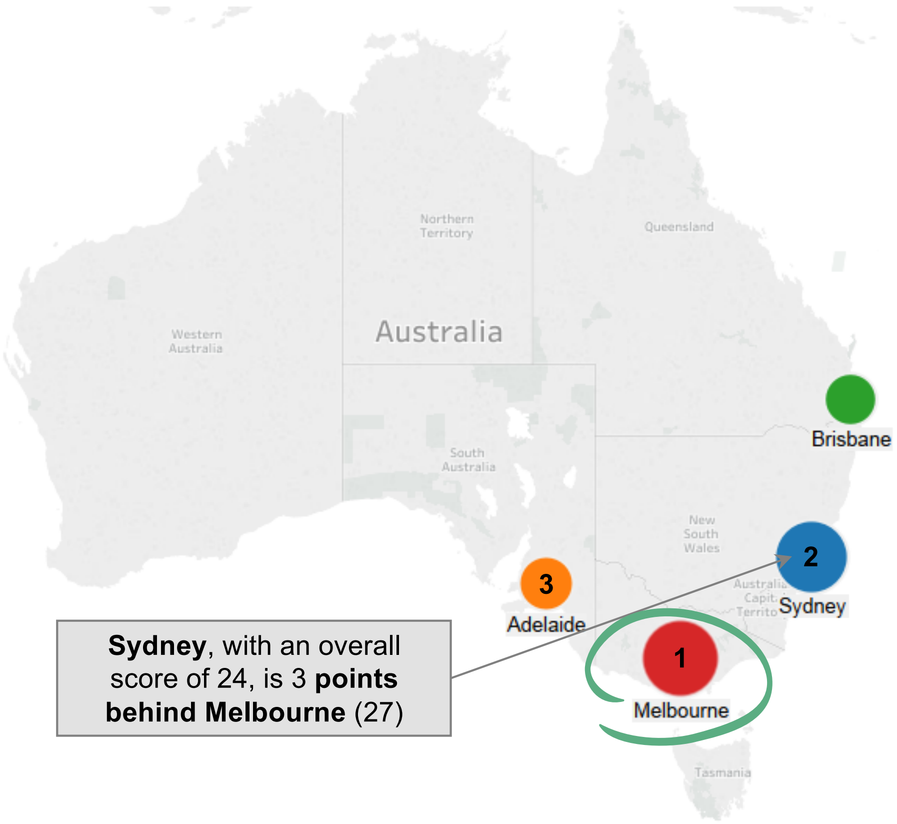
No metrics have been included for these dimensions because they less directly relate to the city's attractiveness for creative professionals and cultural visitors

Index measures performance against 38 cities globally

1. Cultural Traveller Survey: Over 1000 respondents from ten key future markets (Australia, New Zealand, China, India, Malaysia, Hong Kong, Singapore, U.K., France, United States) were asked to choose their top 10 cultural and creative destinations and subsequently rank them from 1 (most preferred) to 10 (least preferred)

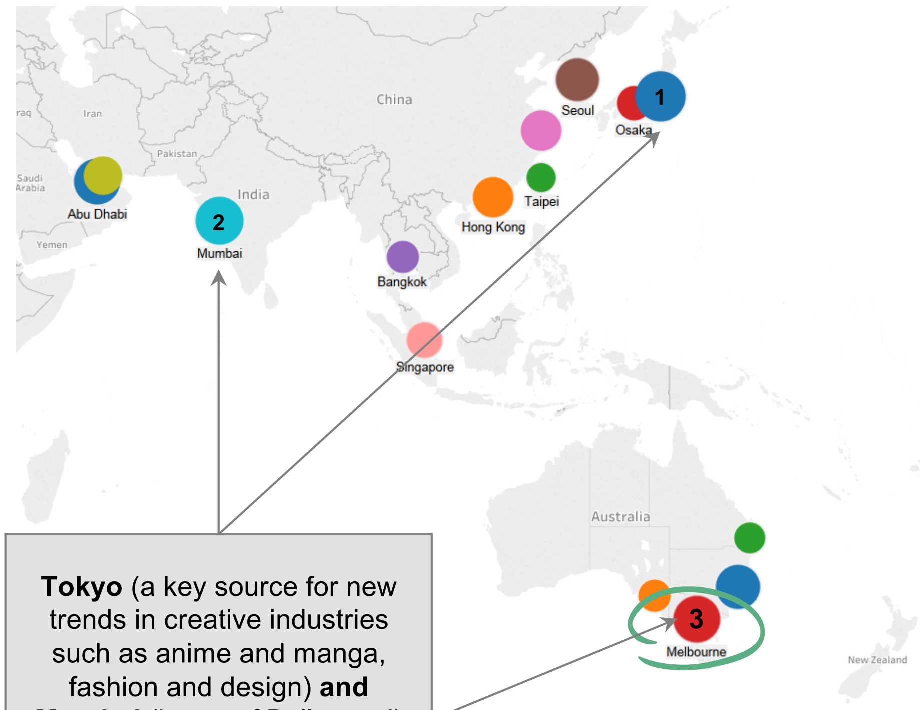
Melbourne currently ranks first in Australia, third in Asia ...

Melbourne ranks first of 4 cities in Australia



Sydney, with an overall score of 24, is 3 **points behind Melbourne** (27)

Melbourne ranks third of 14 cities in Asia

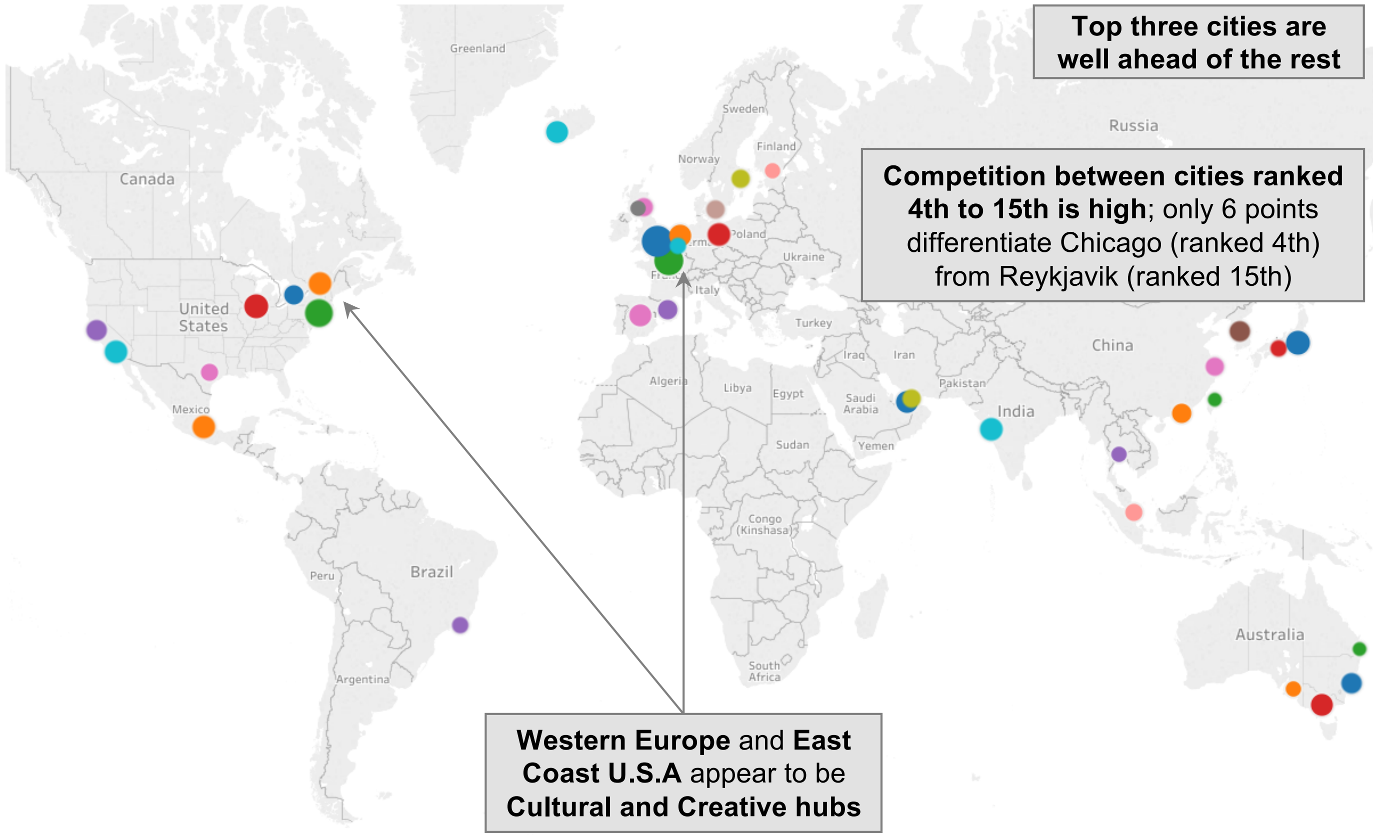


Tokyo (a key source for new trends in creative industries such as anime and manga, fashion and design) **and Mumbai** (home of Bollywood) **lead in Asia,** with a score of 31 and 28, respectively, **followed closely by Melbourne** with 27

1. Culture and the Future of Tokyo, 2014;
Methodology: The Performance Index scores and ranks 38 cities across 5 KPIs. The "best-in-class" city for each KPI is assigned a maximum score of 20; every other city is subsequently scored relative to this city. City scores for each KPI are then weighted and summed to generate an overall score and rank on the Performance Index.
Source: BCG Analysis

... and 12th out of 38 of the world's cultural and creative cities

London and Paris rank 1st and 2nd, with high scores of 53 and 46 of 60



Top three cities are well ahead of the rest

Competition between cities ranked 4th to 15th is high; only 6 points differentiate Chicago (ranked 4th) from Reykjavik (ranked 15th)

Western Europe and **East Coast U.S.A** appear to be **Cultural and Creative hubs**

Rank	City	Overall score (/60)
1	London	53
2	Paris	46
3	New York	42
4	Chicago	32
5	Tokyo	31
6	Berlin	30
7	Mexico City	28
8	Los Angeles	28
9	Mumbai	28
10	Montreal	28
11	Amsterdam	28
12	Melbourne	27
13	Abu Dhabi	26
14	Madrid	26
15	Reykjavik	26
16	Sydney	24
17	San Francisco	23
18	Seoul	23
19	Barcelona	22
20	Toronto	21
21	Hong Kong	20
22	Shanghai	20
23	Stockholm	20
24	Copenhagen	19
25	Edinburgh	18
26	Dubai	18
27	Austin	16
28	Singapore	16
29	Rio de Janeiro	16
30	Osaka	15
31	Brussels	14
32	Helsinki	14
33	Glasgow	13
34	Bangkok	13
35	Adelaide	13
36	Brisbane	12
37	Taipei	10
38	Shenzhen	9

Methodology: The Performance Index scores and ranks 38 cities across 5 KPIs. The "best-in-class" city for each KPI is assigned a maximum score of 20; every other city is subsequently scored relative to this city. City scores for each KPI are then weighted and summed to generate an overall score and rank on the Performance Index.
Source: BCG Analysis

Agenda

Leading cultural and creative cities share six dimensions

A Cultural and creative people want to study and work here

B Cultural and creative sectors are active and supported

C City offers quality cultural and creative experiences

D Consumers are aware of cultural and creative experiences

E The broader city environment is attractive

F The sector is well governed by both government and arts organisations

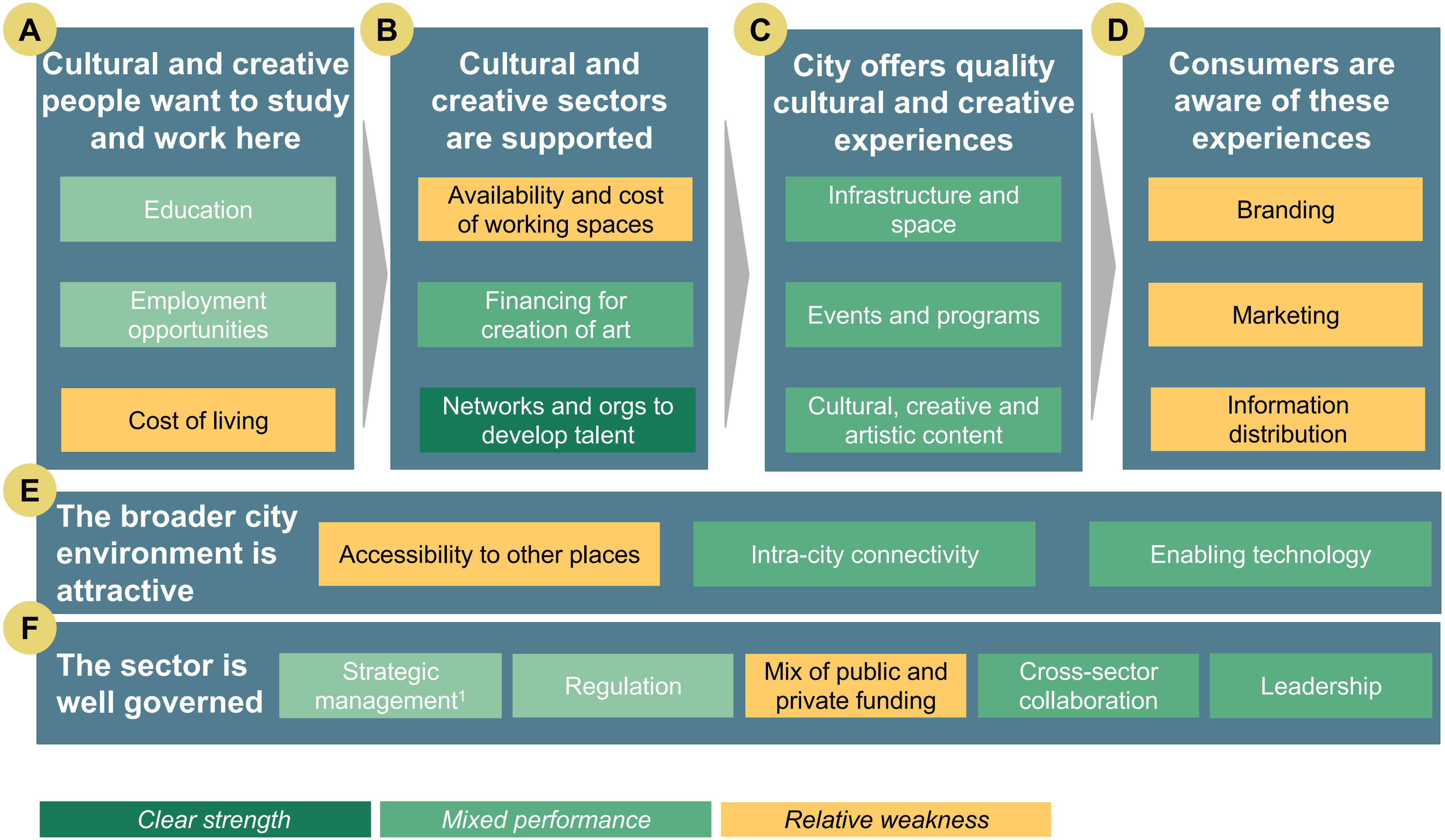
Source: BCG experts; DEDJTR Project Control Group and Working Group; Arts Agency CEOs and Chairs; Interviews with Thought Leaders October – December 2016

London, New York, Berlin and Paris display these dimensions

	A Cultural and creative people want to study and work here	B Cultural and creative sectors are active and supported	C City offers quality cultural and creative experiences	D Consumers are aware of cultural and creative experiences	E The broader city environment is attractive	F The sector is well governed
LONDON	Creative sector 12% of workforce 5 universities in the top 10 universities for performing arts	London local and central government spent £725m in 2011/12 on arts and culture	857 art galleries 320 live music venues 241 theatres 215 museums	19m international visitors 80% of visitors say 'culture and heritage' are the reason for visit	One of the largest urban transport networks in the world	City of London Cultural Strategy 2012-17
NYC	Creative sector 8% of workforce	Private contributions to arts US \$800m+ in 2012; Public funding of the arts ~ US \$320m FY15	613 art galleries 453 live music venues 420 theatres 143 museums	13m international visitors 25m cultural tourists (domestic and international)	Walkable neighbourhoods, bike share and extensive public transport	New York Cultural Plan under development
Visit Berlin	Creative sector 10% of workforce	Local, City and Federal government spend ~€880m in 2014 on arts and culture	180 museums 440 galleries	5m international visitors	Flat and walkable, bicycle friendly supported by U-Bahn subway	Berlin Urban Development Concept 2030
PARIS	Creative sector 9% of workforce	France Department of Culture and Communications' budget ~€3.6B p.a.	1151 art galleries 430 live music venues 353 theatres 313 museums Louvre most visited gallery globally (8.5m p.a.)	16m international visitors	Geographically condensed attractions supported by Paris Metro	2010 Creative Paris Project

Source: World Cities Cultural Forum 2015; QS World University Rankings by Subject 2016 – Top 10 Performing Arts Schools in 2016: London Councils (June 2014) London Local Authorities Support for Arts and Culture 2014; MasterCard Global Destination Cities Index 2015: Mayor of London (2014), A cultural Tourism vision for London, 2015-2017; The City of London Cultural Strategy 2012-17; Center for an Urban Future (June 2015) Creative New York; NYC and Co (2013) New York City Tourism, a Model for Success; createnyc.org; Department of Cultural Affairs (2016) Report on the Fiscal 2017 Executive Budget; VisitBerlin (2014): Berlin visitor facts; Federal State of Berlin, Cultural Funding Report 2014; Berlin Urban Development Concept Berlin 2030: France Department of Culture and Communications 2017 Budget: Art Newspaper Visitor Figures 2015; www.creativeparis.info/en

Melbourne has strengths in offer and governance, underperforms in brand and marketing



1.Includes policy analysis, planning, resource allocation, implementation and monitoring, evaluation and reporting
Source: BCG analysis; DEDJTR Project Control Group and Working Group; Arts Agency CEOs and Chairs; Interviews with Thought Leaders October – December 2016

Melbourne has some leading education institutions

Number of art and design tertiary students is relatively high

Melbourne has some of the world's best creative schools

RMIT is ranked 16th in the world for art and design and in the top 10 for fashion

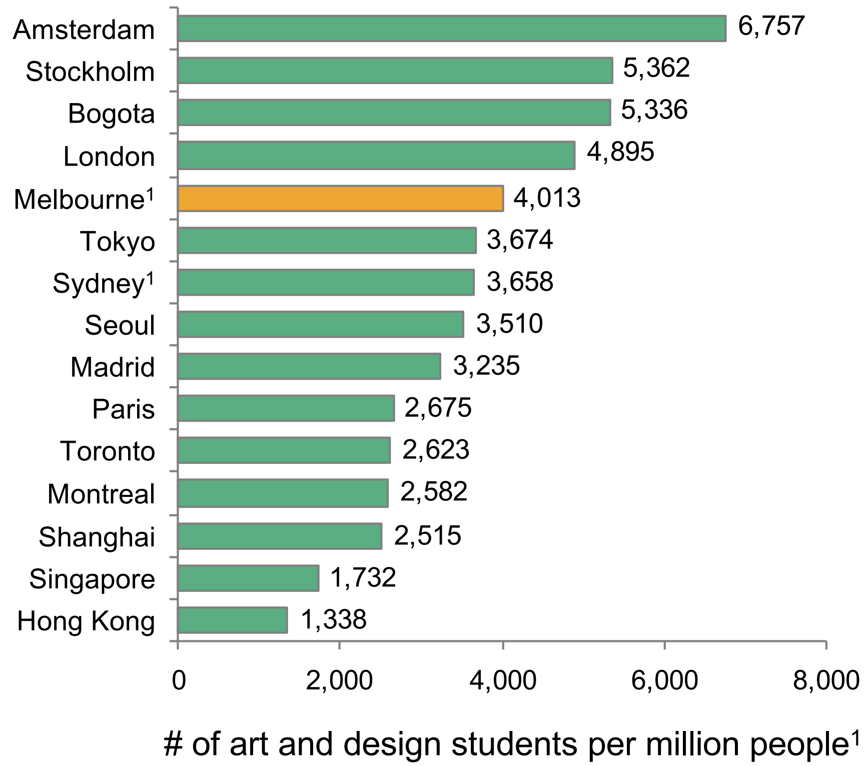
Swinburne is ranked 32nd in the world for art and design

VCA is ranked 37th in the world for art and design

Australian Ballet School is the national centre for elite classical dance training

Australian National Academy of Music is the national training academy for classical musicians

Student tertiary participation in art and design is relatively strong



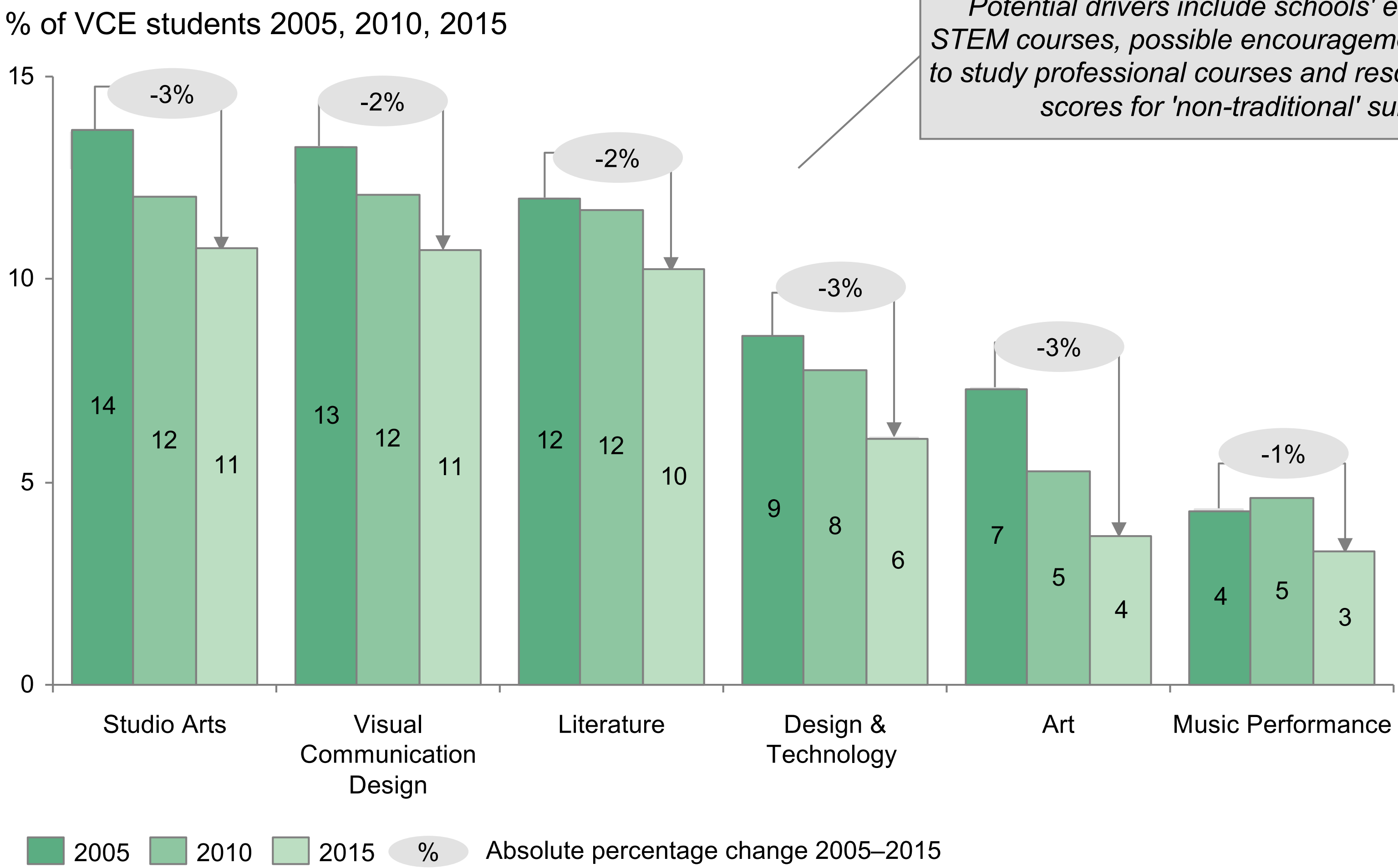
Sydney and Melbourne numbers include students studying art and design at generalist universities only and therefore excludes the number of students of specialist art and design public institutions. Therefore the total number for these cities will be higher

Source: QS World University Rankings by Subject 2016 – Art and Design; Business of Fashion: Global Fashion School Rankings 2015; www.australianballetschool.com.au; www.anam.com.au; World Cities Forum Data 2016

Fewer VCE students are studying creative subjects

Average decline of 2-3% across disciplines in last 10 years

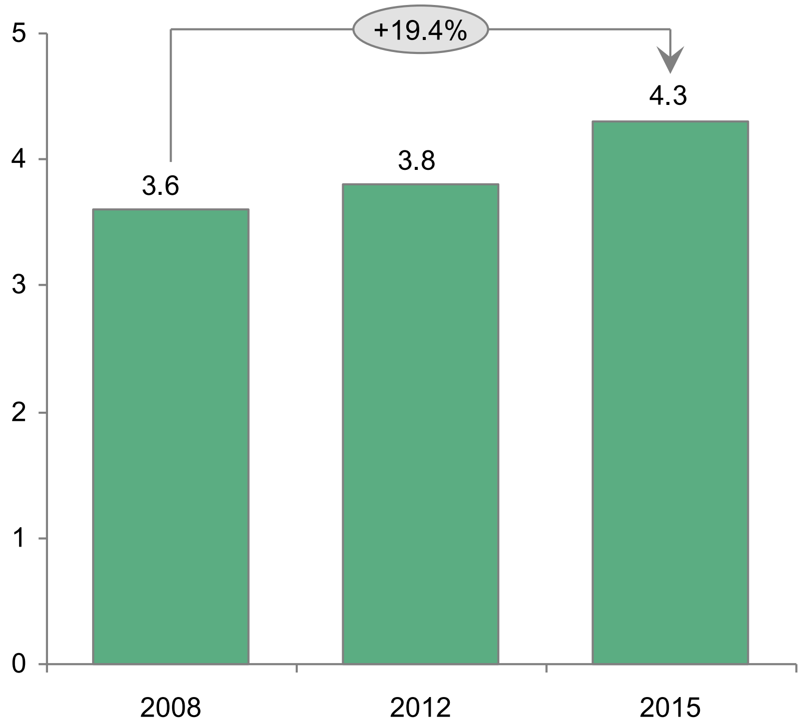
Potential drivers include schools' emphasis on STEM courses, possible encouragement of students to study professional courses and rescaling of ATAR scores for 'non-traditional' subjects



Source: Victorian Senior Secondary Certificate Participation and Completions 2005, 2010, 2015; Grade Distributions for Graded Assessments VCE 2015, 2010, 2005

Melbourne's design sector is growing, but building a culture of design appreciation will be crucial to maximising growth

Businesses spent $4.3b on design in 2015, an increase of ~20% since 2008



Although the use and visibility of design remains relatively low

The use of design by local businesses remains relatively low

- Only 44% of Victorian businesses make some use of design, compared to 70-80% in Europe
- Melbourne's design graduates have one of the lowest employment rates at ~10%
- Whilst Melbourne is the home of internationally recognised design icons (e.g. Aesop, Crumpler), the city lacks a major design employer

Melbourne lacks a major independent design institution that could support the education of business and the public in appreciating design

- E.g. MoMA in New York or the Design Museum in London

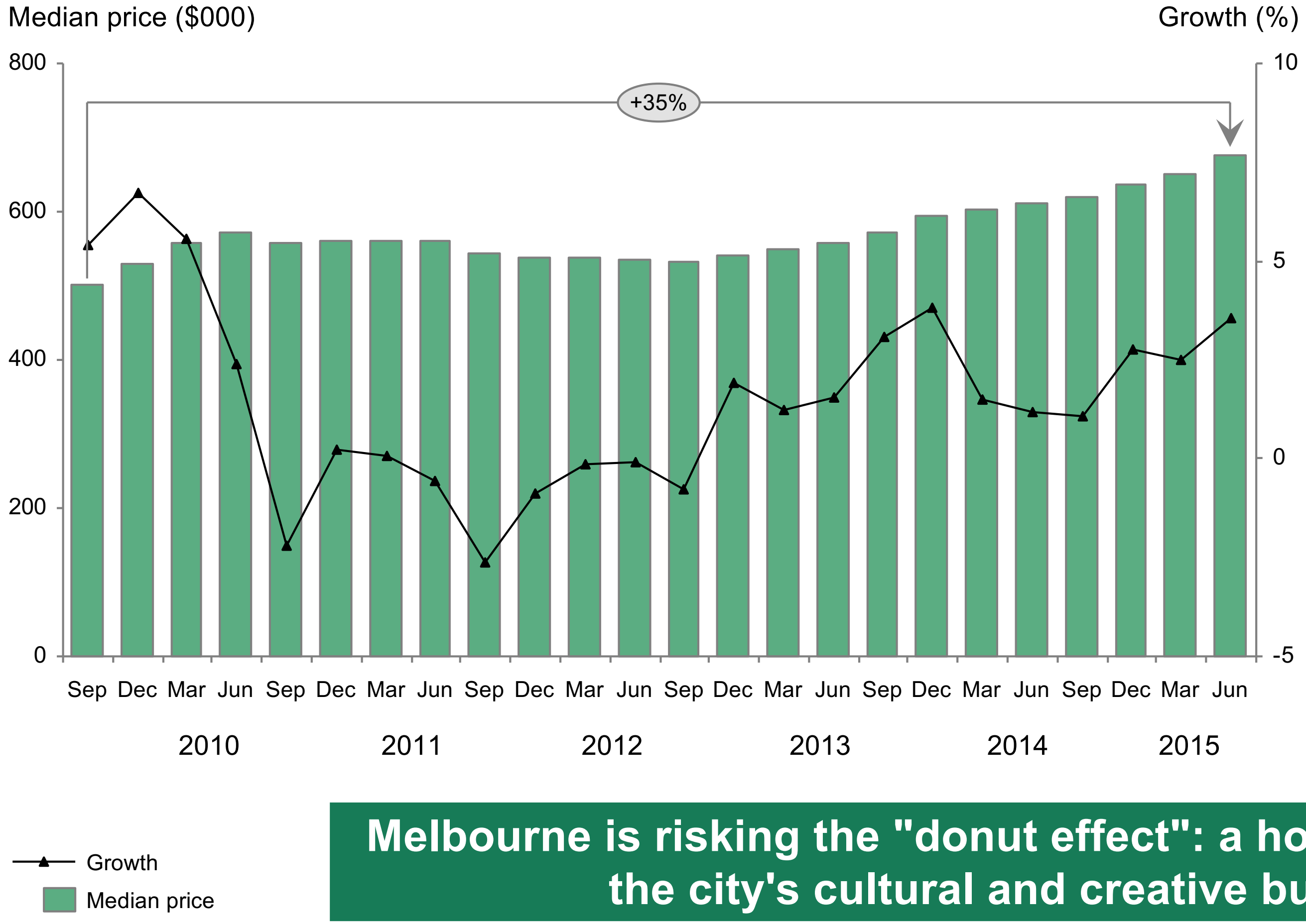
Some Thought Leaders believe that the absence of a unified voice impacts the ability to promote design

- There are close to 20 different design specialities and numerous industry associations across the Victorian professional design employment profile of 200,000

Source: Wallis Market and Social Research (2015) Victoria Design 2015: Quantitative Report; Interviews with Thought Leaders October – December 2016

Rising housing costs may be driving creatives out of the city

Median house prices have increased by one third in five years[1]



Creative professionals appear to be leaving the inner city

"People are **getting priced out** ... they have left Fitzroy and Collingwood, they're leaving Brunswick and they're **heading to places like Reservoir and Castlemaine and Daylesford**"

"The **cautionary tale** here is San Francisco. The influx of massive wealth has completely **hollowed out the inner city**. It's **lost its creative buzz**"

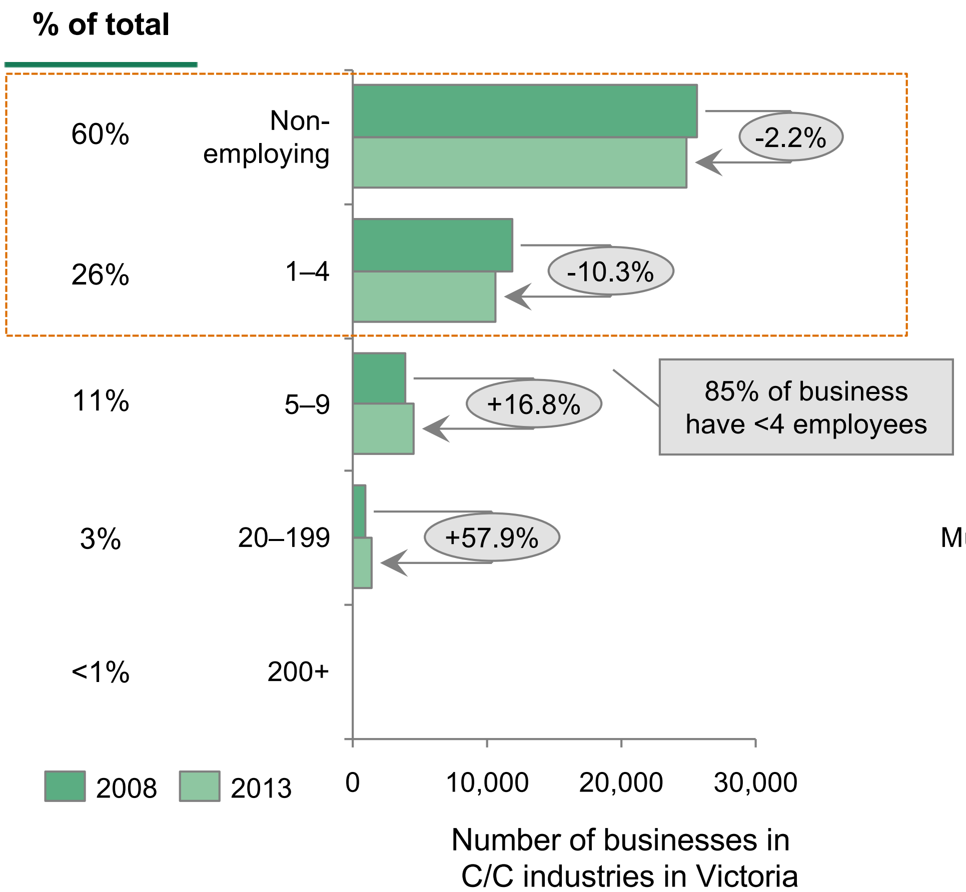
Melbourne is risking the "donut effect": a hollowing out of the city's cultural and creative buzz

1. Includes houses in the Melbourne metropolitan area, which is the 31 of Victoria's 71 municipalities that are located closest to the Melbourne CBD
Source: Domain Group; Interviews with Arts Agency CEOs and Chairs and Thought Leaders

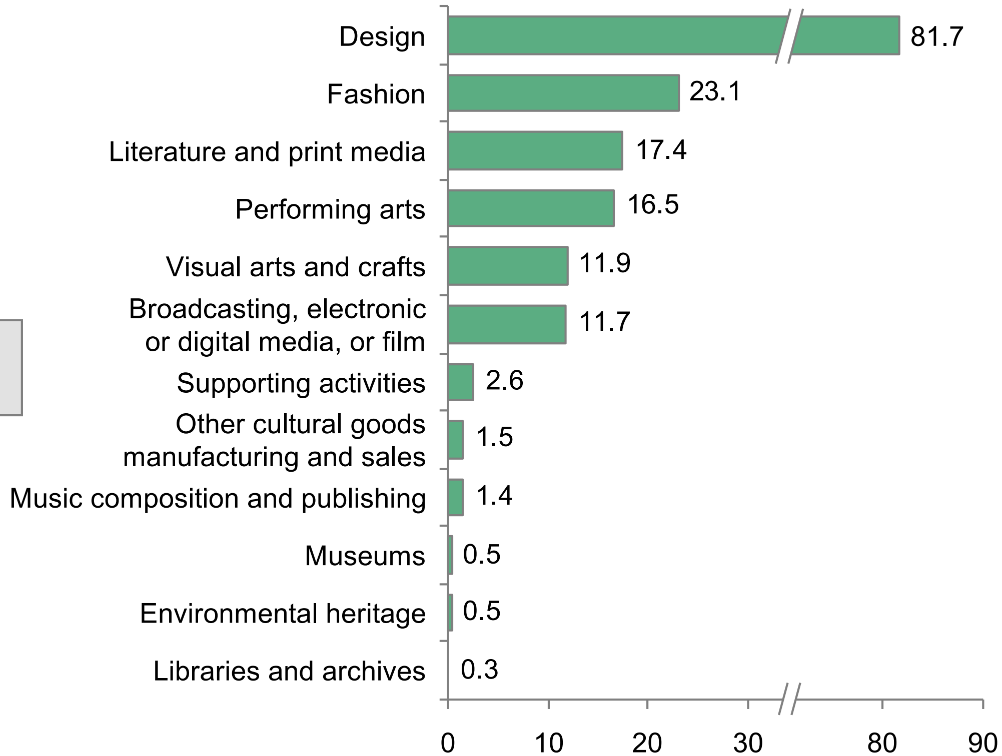
Most cultural and creative businesses are small/medium

These businesses rely on new graduates, emerging talent and affordable living/work spaces

Majority of cultural and creative businesses have 4 or less employees



Nationally, majority of businesses are in design, performing arts and print media



Note: Total Victorian creative businesses in 2013 estimated at ~42,000
Source: ABS Satellite Accounts, Creative and Cultural Industries 2008-2009; BCG Analysis

Many large arts organisations are supporting small/mediums

A strong creative ecosystem relies on these linkages to encourage and incubate creativity

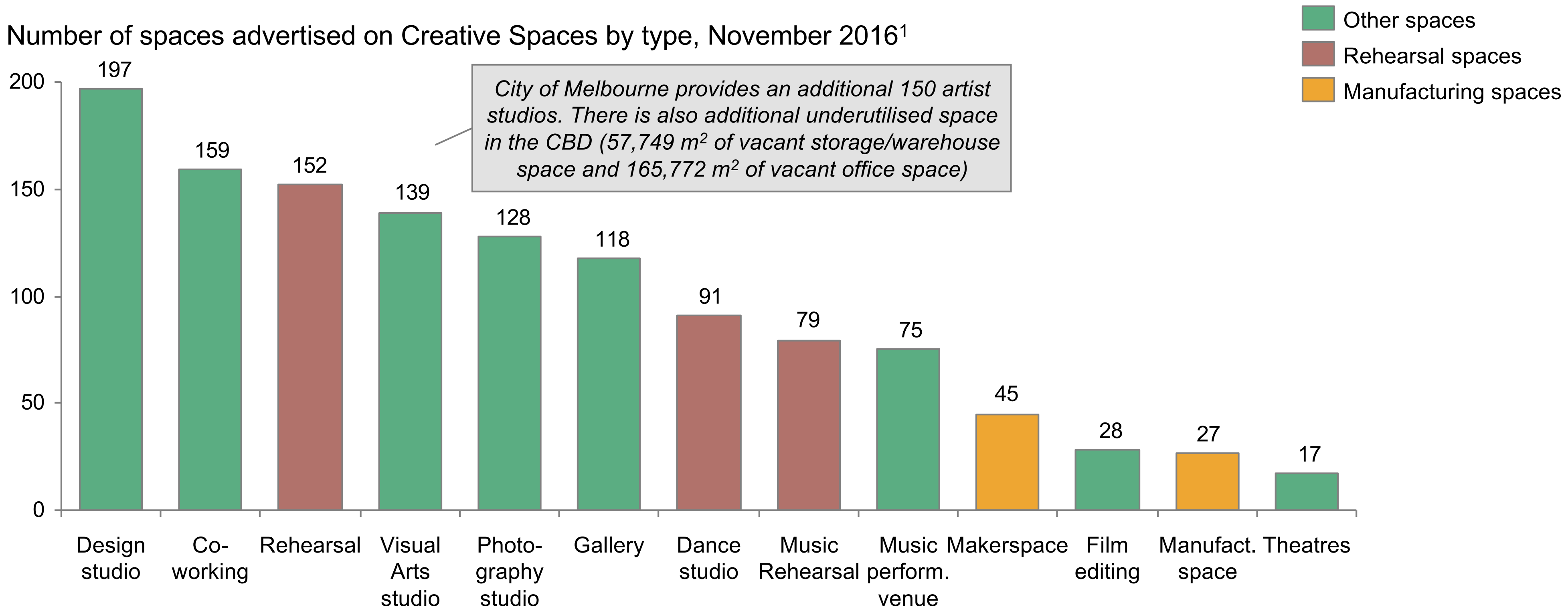
Example	Approach	Impact
Arts Centre Melbourne	Playking Travel Grants assist artists to establish creative connections and collaborations in Asia Arts Wellbeing Collective provides mental health services for local artists Commissioned 25 new works from small/mediums for AsiaTOPA	Six recipients in last six months Under development: Will connect and support artists 0.5m funding to SME organisations
Melbourne Now	NGV collaborated with 400+ local artists in 2013/14 to develop Melbourne Now — a major exhibition of contemporary Melbourne art	Exhibition received 753,000 visitors, which is 3x the average attendance of traditional shows
Collingwood Arts Precinct	A social enterprise and contemporary creative precinct for small and medium creative organisations to work and collaborate	Under development: Site will provide 6,400m2 work space
Neon and Neon Next	Annual Neon Festival of Independent Theatre to showcase work of independent artists ran from 2013-15; Neon Next was established in 2016 to commission, develop, and present new works	In 2015, 7 independent theatre companies were supported by the festival; 6,000+ attendees
ACMI X	60 seat co-working space for individuals and small businesses working with the moving image	~80 individuals benefiting from the space

Source: www.artscentremelbourne.com.au; Melbourne Now Exhibition Report, 2014; www.creativevictoria.gov.au; Melbourne Theatre Company Annual Report (2015); www.acmi.net.au

Melbourne offers a diverse portfolio of spaces for artists

Several Thought Leaders concerned about lack of manufacturing, rehearsal space

Number of spaces advertised on Creative Spaces by type, November 2016[1]



City of Melbourne provides an additional 150 artist studios. There is also additional underutilised space in the CBD (57,749 m^2 of vacant storage/warehouse space and 165,772 m^2 of vacant office space)

	Design studio	Co-working	Rehearsal	Visual Arts studio	Photography studio	Gallery	Dance studio	Music Rehearsal	Music perform. venue	Makerspace	Film editing	Manufact. space	Theatres
Share of total[2]	31%	25%	24%	22%	20%	19%	14%	12%	12%	7%	4%	4%	3%

"There is a real need for space to make and experiment, most of the spaces available are for exhibiting or computer based content development"

"Not many spaces give you flexibility in how you use it. There's a lack of rehearsal spaces for smaller artists"

1. Based on number of advertisements at creativespaces.net.au, advertisements may be for one or more space. Total of 633 spaces advertised on Creative Spaces website in Melbourne Metro region, November 2016. 2. Percentages do not add to 100% as several spaces are multi-purpose
Source: creativespaces.net.au; City of Melbourne Arts Infrastructure Report, November (2016); Interviews with Thought Leaders October – December 2016

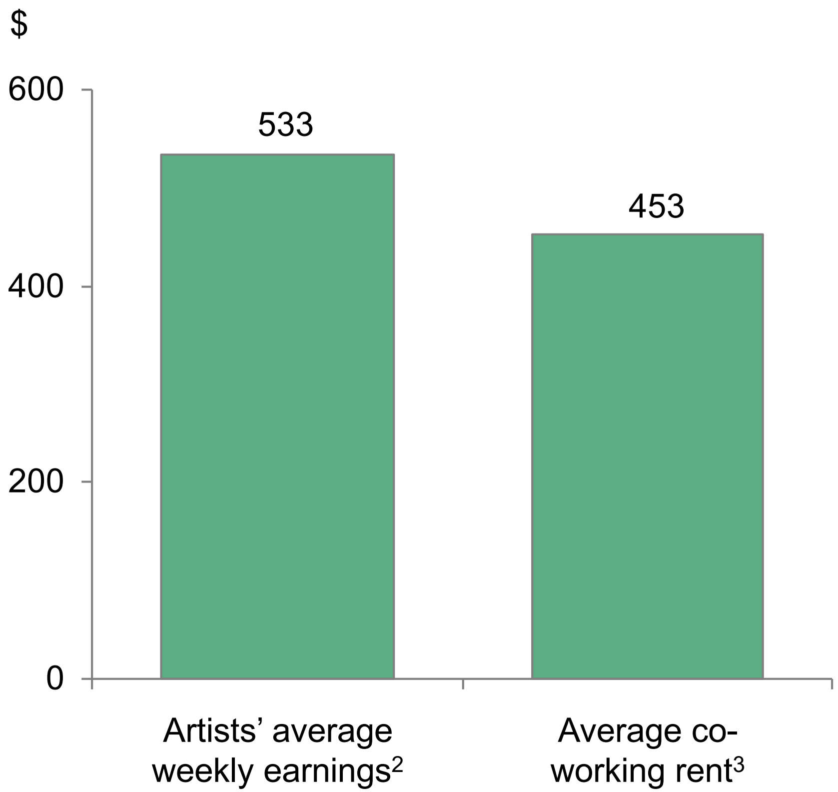
Workshop/studio and display space is declining

% Growth in space usage in City of Melbourne by type (2008- 2015)

Note: Analysis highlights high growth and creative spaces usage only, a total of 37 types of space usage mapped by City of Melbourne
Source: City of Melbourne, Census of Land Use and Employment 2008-2015

Working space is, on average, expensive for most artists

Average weekly co-working rent is ~85% of an artist's weekly earnings



And demand appears to exceed supply

Gap analysis conducted by the City of Melbourne's 2016 Arts Infrastructure Framework identified the following needs[1]:

- Live/work spaces
- Affordable housing
- Affordable co-working/office spaces
- Performance and rehearsal spaces for small/medium sector
- Gallery spaces for emerging artists and experimental work
- Live music venue for 500-800 patrons

Waiting spaces for the City of Melbourne's Creative spaces program indicates demand exceeds supply

- 84 artists on the waiting list for Boyd Community Hub
- 30 artists on the waiting list for River Studios in West Melbourne

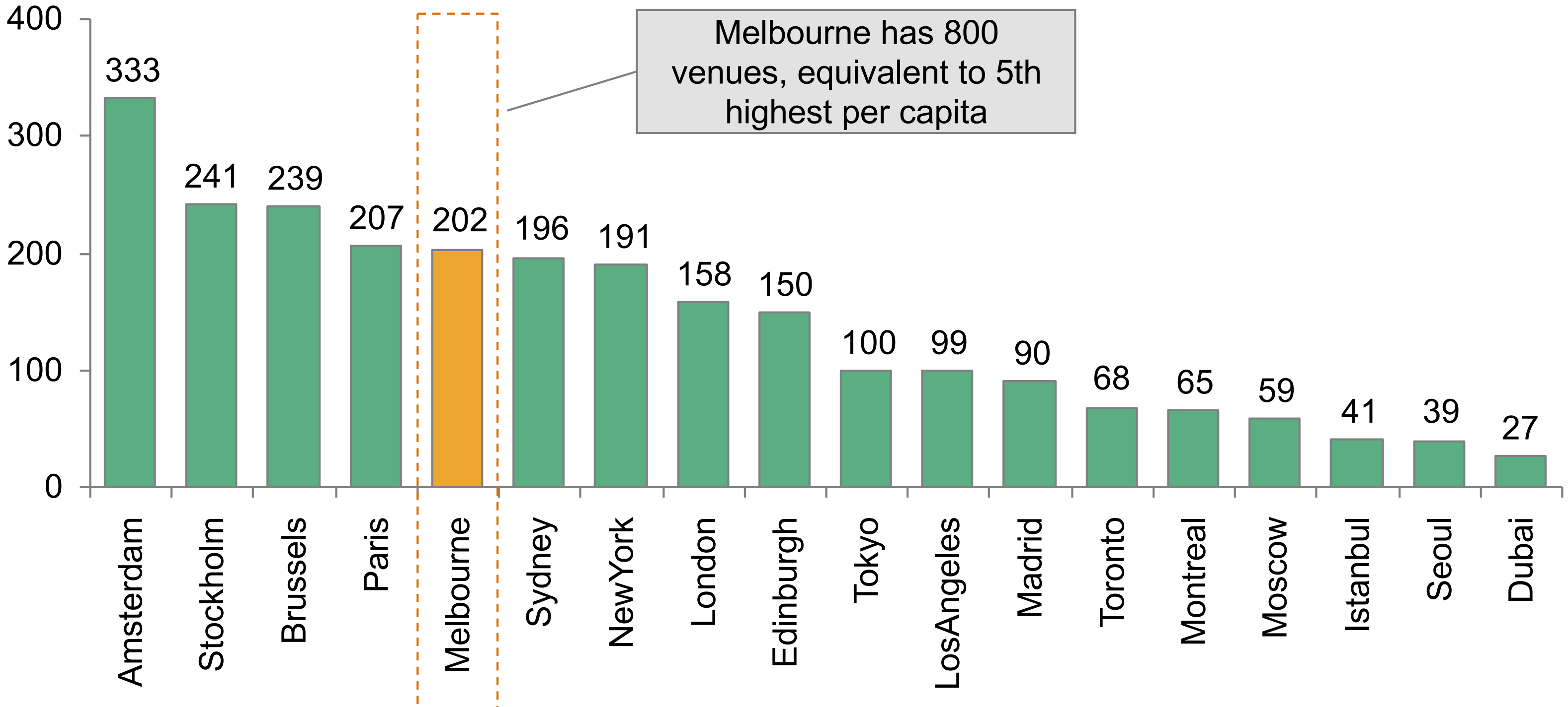
Searches for space on the Creative Space website all suggests unmet demand for live/work space, studio space, warehouse space and gallery space

1. Based on an analysis of 10km radius from the CBD 2. Based on annual average earnings of $27,700 2. Based on an audit of co-working space conducted by Night Frank research 2016. Average co-working rent based on a weighted average of co-working space rent across CBD, City Fringe, Inner East, Southbank, North & West, Outer East and South East of Melbourne. Co- working space includes access to traditional office facilities and supporting infrastructure (this may include a reception desk, meeting rooms, break out areas, printing and high speed internet. (such as Hub Melbourne and York Butter Factory)

Source: Australia Council (2010) Do you really expect to get paid?; Night Frank (2016) Melbourne co-working insight; BCG analysis; City of Melbourne Arts Infrastructure Report, November (2016)

Benchmarks suggest Melbourne has strong infrastructure ...

Cultural infrastructure assets (museums, live music venues, theatres and art galleries) per million residents[1]



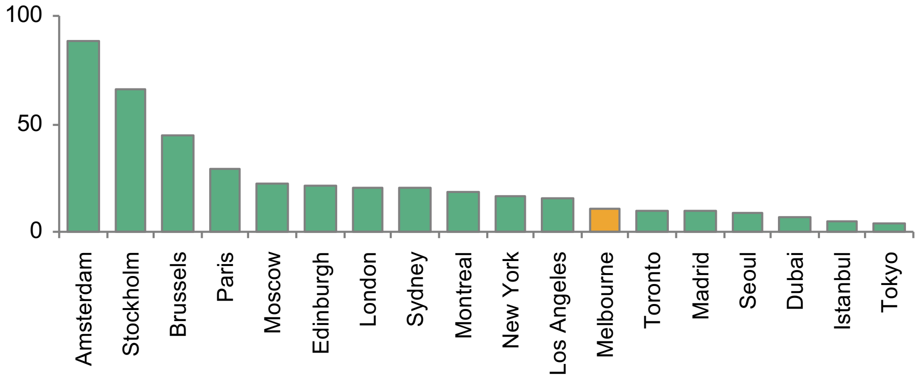
	Amsterdam	Stockholm	Brussels	Paris	Melbourne	Sydney	NewYork	London	Edinburgh	Tokyo	LosAngeles	Madrid	Toronto	Montreal	Moscow	Istanbul	Seoul	Dubai
Total assets	544	364	504	2247	800	798	1629	1633	195	1350	1505	562	443	232	979	560	913	98
Assets rank[2]	12	15	13	1	8	9	3	2	17	5	4	10	14	16	6	11	7	18

1. Local population only (i.e. excludes visitors). 2. Based on total number of assets (museums, live music venues, theatres and art galleries)
Source: World Cities Culture Forum report (as at 2016); Demographia World Urban Areas, 2016

... driven by having the most live music venues

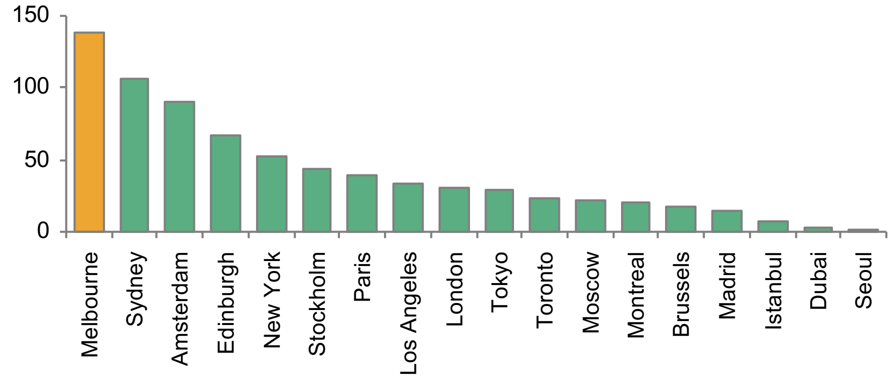
Melbourne has relatively few museums …

Number of museums per million residents



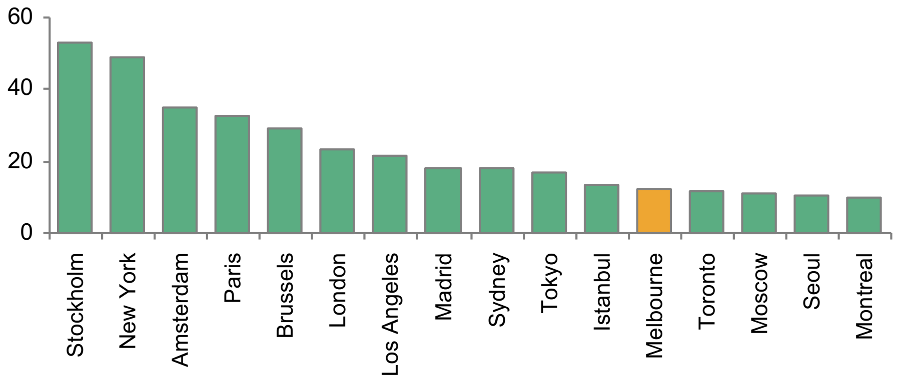
It has the most live music venues ...

Number of music venues per million residents



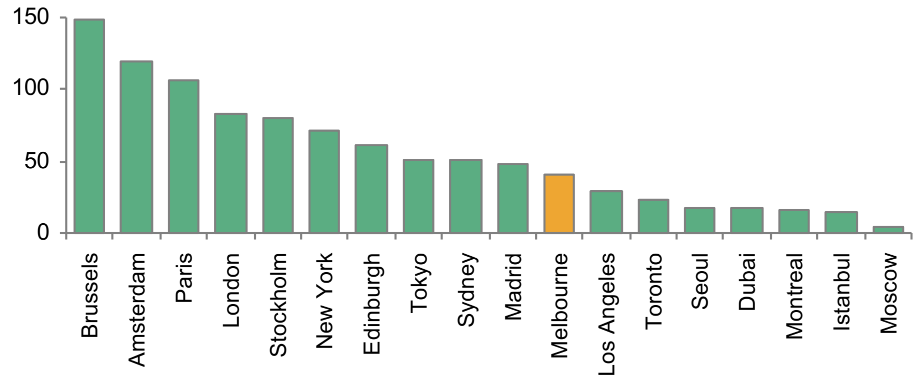
… and relatively few theatres

Number of theatres per million residents



... and an average number of art galleries

Number of art galleries per million residents



Note: Local population only (i.e. excludes visitors)
Source: World Cities Culture Forum report (as at 2016); Demographia World Urban Areas, 2016

Many stakeholders see risk of losing "edginess"

Melbourne risks losing its innovative, edgy culture ...

"We need to offer a **greater diversity of experiences** to different audiences"

"We are **going backwards** ... other **places are becoming more proactive**"

"**Policy settings** are more important than spending "

"Docklands **broke Melbourne's cultural dynamic** ... Cultural and creative expression is a **total** afterthought"

... while other cities become proactive, including Sydney

"Sydney is **preserving affordable space** ... and they are preserving it in the CBD"

"Sydney is **really getting behind new ideas** ... there's **more support from Government** for putting on a show"

"**Sydney are more hungry** ... they open their eyes wider and provide some money [to theatres]. Melbourne would rather **open its cheque book for sporting events**"

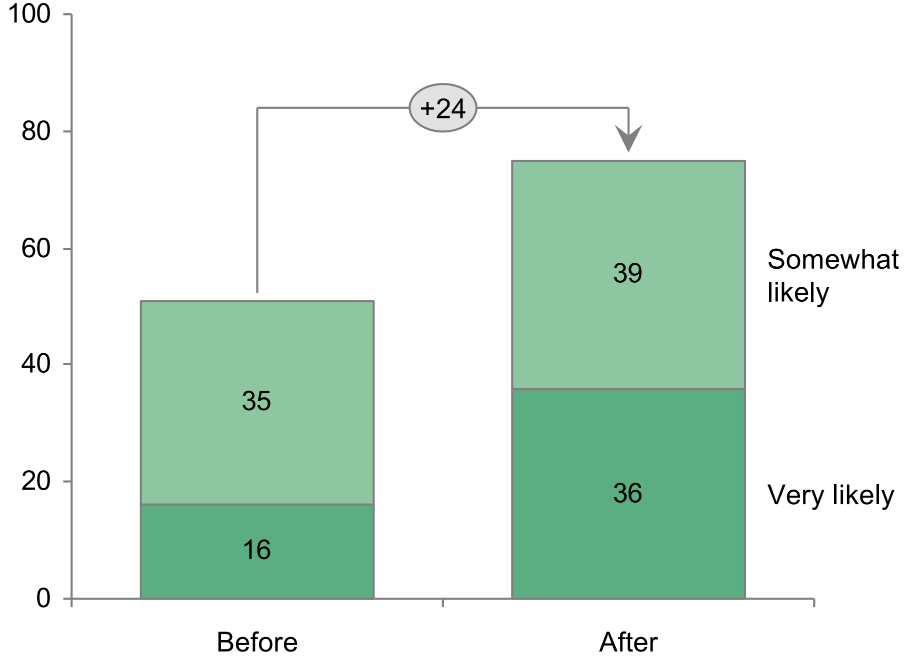
Source: Interviews with Arts Agency CEOs and Chairs and with Thought Leaders October – December 2016

Travellers more likely to recommend Melbourne after visiting

Suggests increasing awareness through marketing could boost visitation

75% will recommend Melbourne as a creative destination after visiting

Proportion of travellers likely to recommend Melbourne as a creative destination, before and after visiting (%)



Opportunity to clarify value proposition and market more effectively

"Melbourne lacks a **clear value proposition** for its cultural and creative offer... the proposition should be holistic, accounting for the diversity of the offer"

"The current message is **nowhere near good enough**... we should communicate the city in a way that **blows people away**"

"Australia's tourism marketing focuses far **too much on beaches** and the Opera House... we need a campaign that shows our **sophisticated, multi-layered** offer"

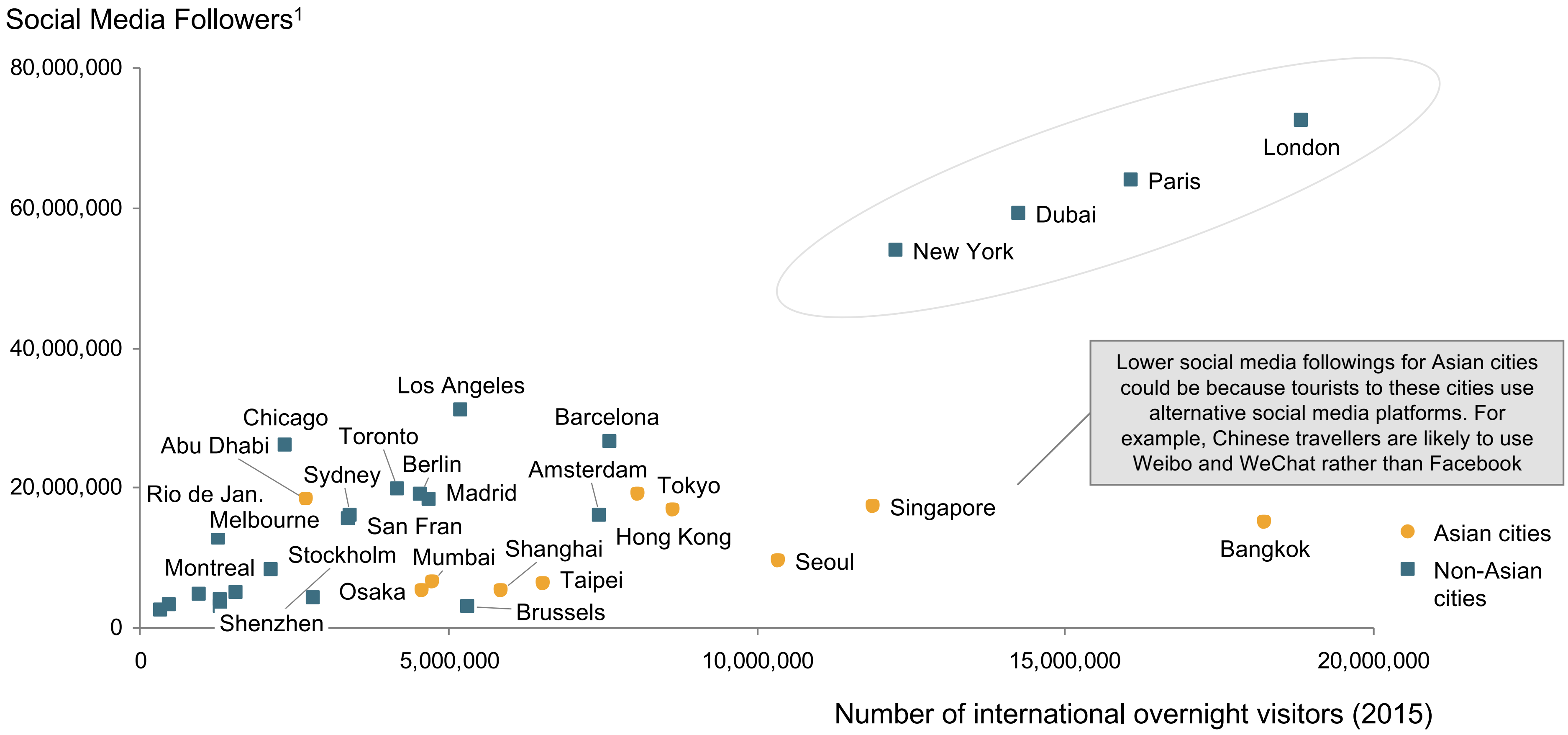
"We should **target our priority markets**, which includes **China** but also emerging areas like **India"**

Some stakeholders point to lack of emphasis on cultural and creative assets; need for direct marketing overseas

Source: Global Traveller Survey (2016); Interviews with Arts Agency CEOs and Chairs and Thought Leaders (October – December 2016)

Greater social media following can associated with visitation

Highlighting importance of channel for increasing awareness

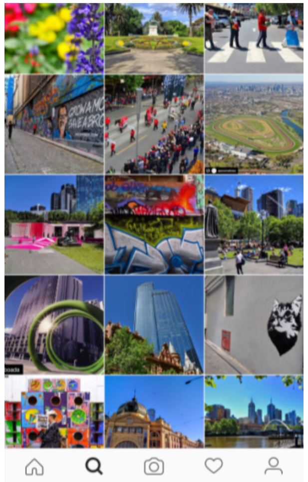
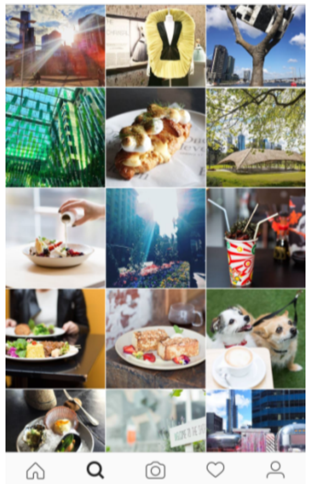


1. Figure is the sum of (1) number of followers of the City's primary Facebook page; (2) number of followers on the City's Instagram page and (3) number of followers of the City's primary Twitter account

Source: Figures were drawn from each of the social media sites on 23 November 2016 and Mastercard Global Destination Cities Index (2015)

Melbourne: Culture, arts rank third most often on social media

Based on review of content in 50 last Instagram posts

	Visit Melbourne *321k followers* "Pics in and around Melbourne of places spaces and faces we love"	**cityofmelbourne** *123k followers* "181 years young. Business, administrative, cultural and recreational hub of Victoria, Australia"	**whatsonmelb** *28.9k followers* "City of Melbourne account. Melbourne moments can be unexpected and often unconventional"	**Broadsheet** *176k followers* "Broadsheet is Melbourne's leading online magazine covering food and drink, nightlife, fashion, art, design and entertainment"	**Total**
					
Environment[1]	46	37	19	8	**110 (55%)**
Food and wine	2	2	20	24	**48 (24%)**
Culture and arts	2	8	9	11	**30 (15%)**
Sport	1	3	1	3	**8 (4%)**
Shopping	1	0	1	4	**6 (3%)**
Date range	9 Nov – 2 Dec	9 Sep – 2 Dec	22 Sep – 2 Dec	10 Nov – 2 Dec	

1. Includes urban architecture, except for laneways, which are included in Culture and Arts

D

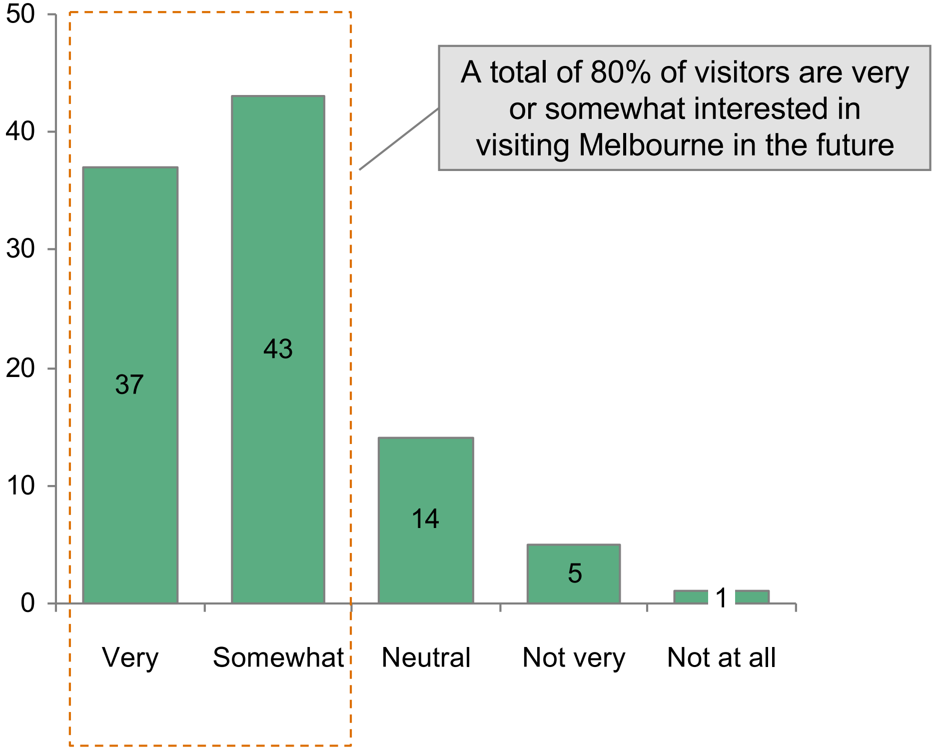
Consumers are aware of these experiences

Non-visitors are open to visiting Melbourne, believe better information is best lever to enhance attractiveness

Question: How interested would you be in visiting Melbourne on a future holiday to Australia?

80% of non-visitors would consider visiting Melbourne in future ...

How interested are you in visiting Melbourne on a future trip to Australia? (% of non-visitors)



... better information and pre-packaged creative experiences could help draw visitors

What would make Melbourne a more attractive creative destination? (% of all participants)

Source: Global Traveller Survey (2016) Question 2.24 options: Not at all interested; Not very interested; Neutral; Somewhat interested; Very interested. 2.39 Which one of the following would make Melbourne a more attractive creative destination? Better opportunities to engage with local and Indigenous arts and creativity; Greater diversity of creative events, attractions, and experiences; A new iconic building or large sculpture designed by a world-class architect and/or artist; A new modern art gallery; A new museum ; A new arts festival with a fantastic line up; An organised creative events package available to visitors (e.g. including a selection of concert, gallery, and museum tickets); More information available about the creative events, attractions, and experiences on offer, including smaller-scale ones such as independent galleries; Other. The options not shown in the chart above received <10% of vote.

D Consumers are aware of these experiences

Information on "what's on" in Melbourne is highly fragmented

A visitor may need six different sources of information to plan an (example) day

1
ATTEND THE RING CYCLE AT THE ARTS CENTRE
www.visitmelbourne.com

2
VISIT AN INDEPENDENT GALLERY
www.visitmelbourne.com
www.timeout.com
www.culturetrip.com

3
FIND A PLACE TO EAT
www.zomato.com
www.visitmelbourne.com

4
GRAB SOME COFFEE
www.broadsheet.com.au

5
CHECK OUT A DESIGN MARKET
www.thatsmelbourne.com.au

6
VIEW SOME PUBLIC ART
www.thatsmelbourne.com.au
www.visitmelbourne.com

7
CHECK OUT AN INDEPENDENT BOOKSHOP
www.visitmelbourne.com
www.broadsheet.com.au
www.timeout.com

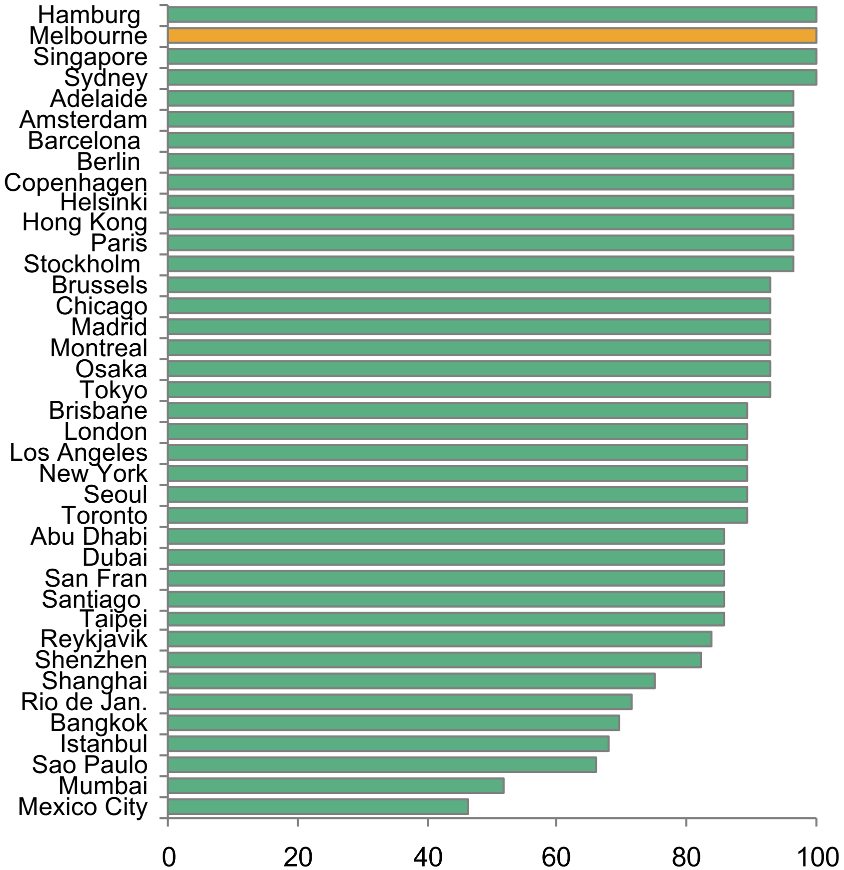
8
VISIT NGV'S LATEST EXHIBITION
www.visitmelbourne.com

Source: BCG Analysis

Melbourne's transport infrastructure ranks highly

But Free Tram Zone could be expanded and navigation made easier

Melbourne ranks equal first on The Economist's transport rating ...



The Economist Livability Index Transport Ranking[1]

... but it could be more user-friendly and better connect cultural organisations

"The **Free Tram Zone should be extended** a couple of stops to Sturt Street and the MCG and the Melbourne Museum to allow locals and tourists to experience more of the city"

"It's really **hard to get across the city**, which makes it much less likely that people move around suburbs, because they have to go through the city"

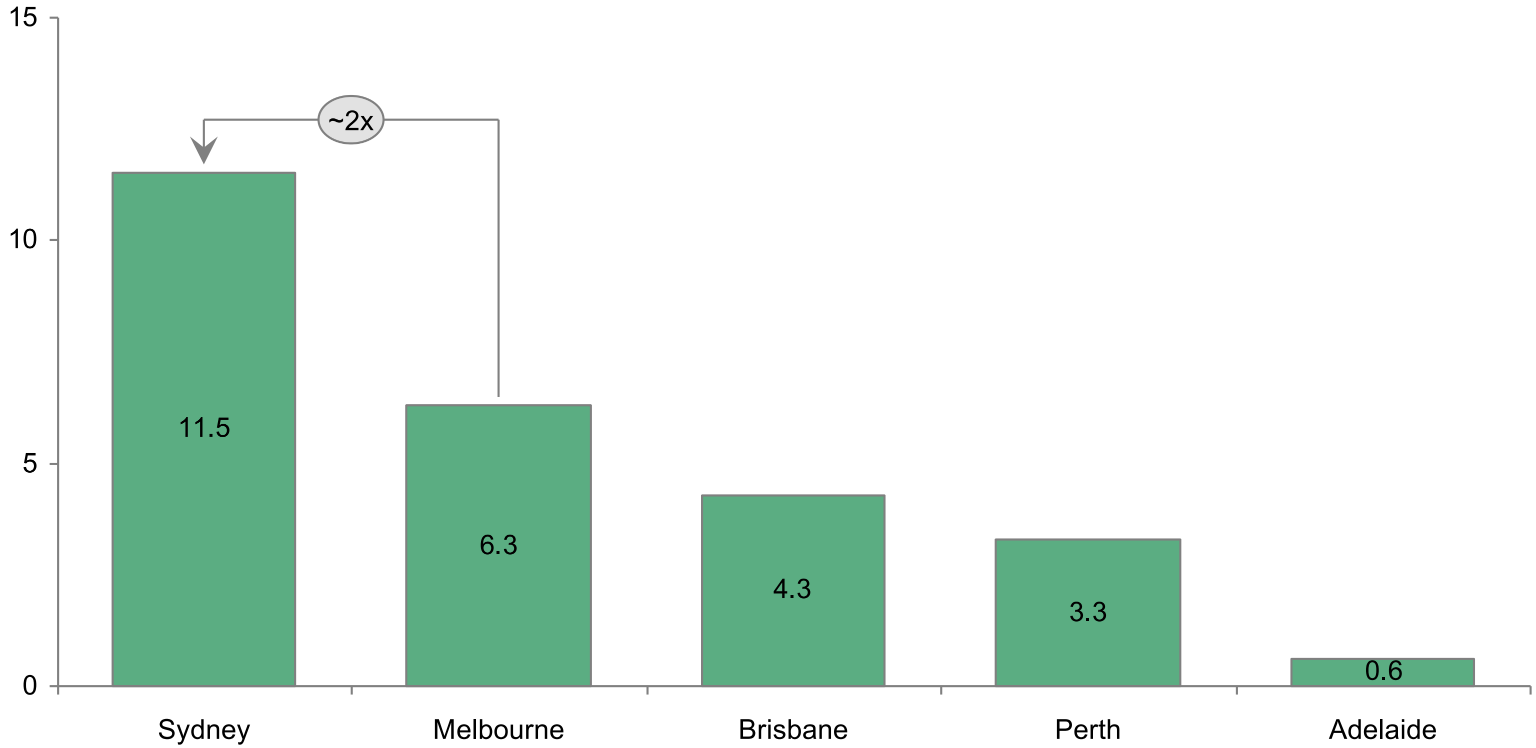
"The **[inner suburbs] feel like a world away** from the city. There needs to be a unified, connected "string of pearls" around the city"

1. This metric provides an overall score for quality of road network, public transport, regional and international links, housing and provision of energy, water and telecommunications.
Note: Chart only shows 38 comparison cities
Source: The Economist, Liveability Index, Infrastructure, 2015; BCG Analysis; Interviews with Arts Agency CEOs and Chairs and with Thought Leaders October – December 2016

Melbourne has relatively low connectivity to the world

Sydney receives almost twice as many international passengers as Melbourne

Number of international air passengers moving through city, 2010-11 (m)



	Sydney	Melbourne	Brisbane	Perth	Adelaide
Number of international aircraft movements (2015, '000)[1]	68.5	42.3	29.1	21.7	4.3

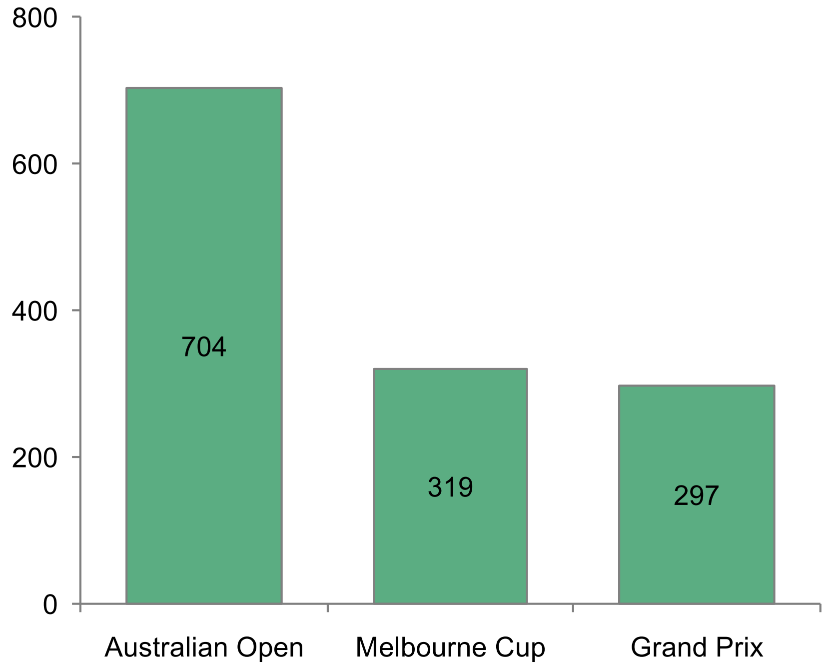
1. Includes inbound and outbound.

Source: Department of Infrastructure and Transport (2012) Air Passenger movements through capital and non-capital cities to 2030-31: Research report 133; Department of Infrastructure and Regional Development (2015) Aviation - International airline activity 2015

Better collaboration with sports calendar could increase cultural participation in Melbourne

1.3m people attend major sporting events in Melbourne

Number of attendees at major sporting events, 2015 (000)



Coincides with NGV Summer Series, Midsumma Festival	*The week after the Melbourne Festival*	*The week after St Kilda Festival; close proximity to VAMFF*

Case Study: London leveraged 2012 Olympics to increase cultural tourism

The city increased cultural engagement in lead-up and during Olympics

- Ran exclusive 'limited edition' events
- Set up a media centre to promote 600+ fashion, film, design culture and food events

Ran post Olympics global marketing campaign - *London: Now see if for yourself* - to convert 'viewers' to 'visitors'

Established Team London Ambassadors to ensure visitors got to where they needed to go and had the information they needed *(similar to Melbourne's City Ambassadors)*

Source: 2015 Grand Prix Annual Report; Victoria Racing Club (2015); Tennis Australia, Australian Open 2015 – By the Numbers (2015); London & Partners - Strategy 2014-17

Summary: Melbourne's strengths and weaknesses

Strengths	Weaknesses
Perceived as a cultural and creative city because of the breadth of experiences available ...	... but the role of the creative and cultural **brand is not clearly defined in the broader proposition; marketing**
Leading arts education institutions and **strong creative industries** ...	... but workshop, studio and exhibition **space appears to be declining** in the city, and **affordability is low**
Reasonably strong infrastructure: per capita most live music venues, average number of galleries, lower number of museums) ...	... but existing assets need to managed more effectively, including with regard to maintenance, utilisation and storage
Inner **city easy to navigate**; surrounding suburbs have **unique identities** ...	... but **finding cultural and creative** experiences and **organising** them is often **fragmented to consumers**
Blockbuster content, as well as a range of events and festivals to attend throughout the year ...	... but **content quality is variable** • Gaps in museums and contemporary art • Declining audiences, operational challenges at some festivals • Risk of losing "edginess", need to encourage risk-taking
A **well-governed** sector with a **clear strategic vision**; Creative State and progressive regulation ...	... but **unclear governance** of some key projects (e.g. MAP); **opportunity to collaborate more** on key topics such as digital, Chinese consumers

Agenda

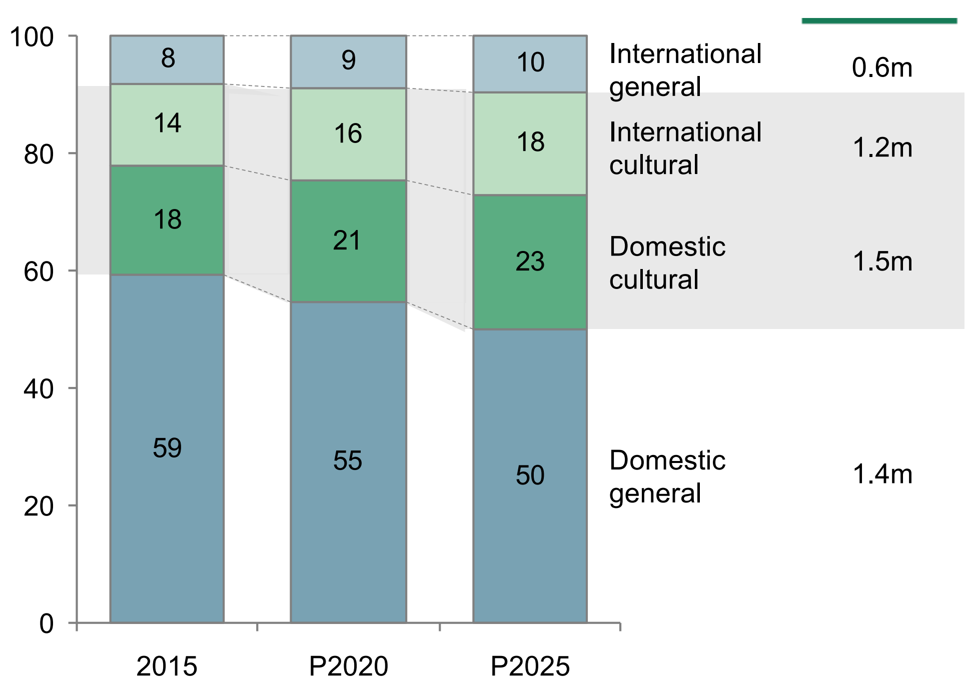
Cultural tourism accounts for 32% of visitors to Melbourne

By 2025, cultural tourism could represent ~40% of all tourism

***Forecast scenario**: Visitors to Melbourne continue to grow at the same rate as they have on average, each year, from **2006-15** . Daily spend remains constant at 2015 level , and daily spend in Australia is equal to daily spend in Melbourne. Trip duration remains constant as at 2016*

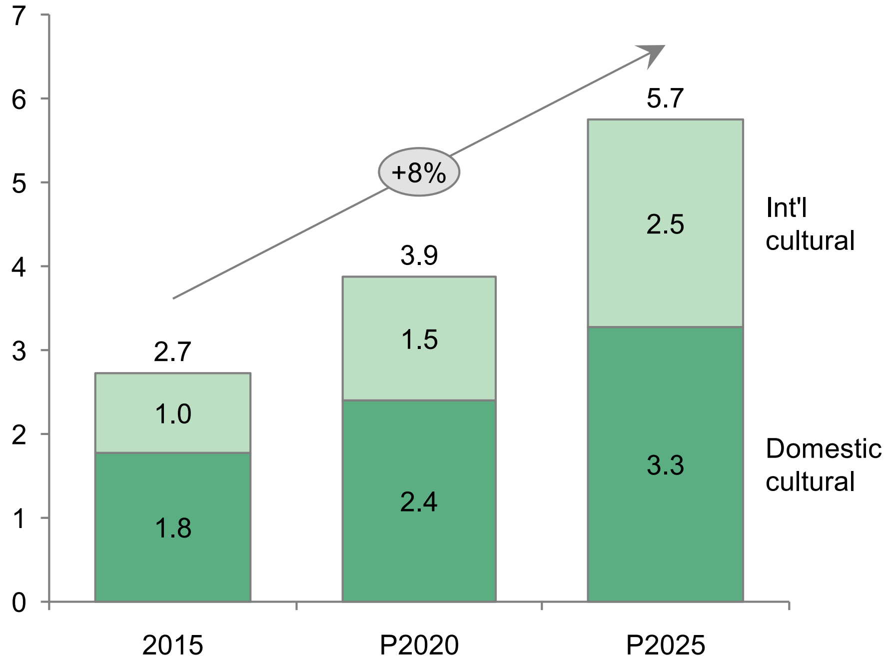
~40% of visitors to Melbourne could engage in cultural activities by 2025

Visitors to Melbourne by origin and purpose (%)



International cultural visitors could be worth $2.5b by 2025

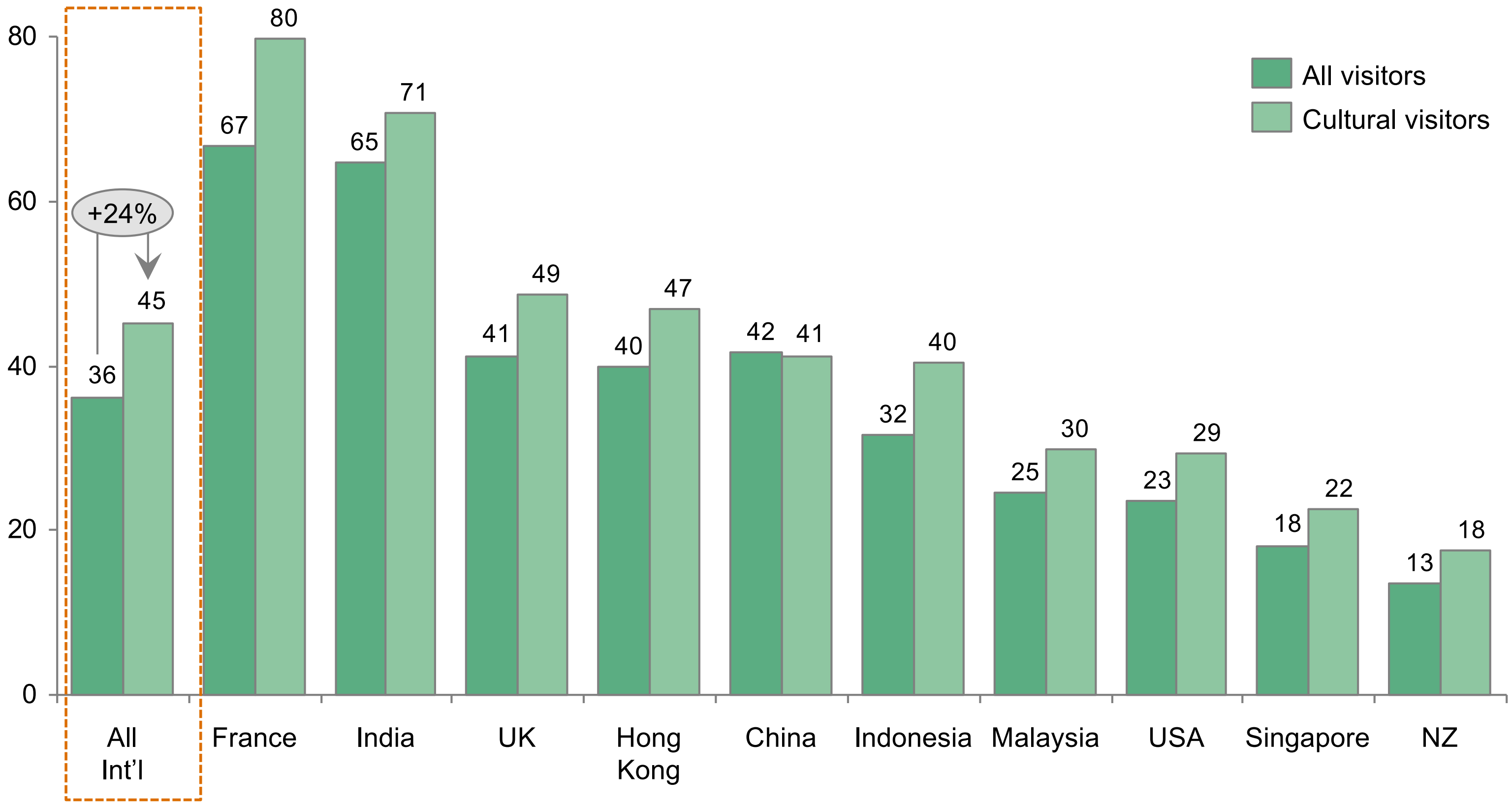
Estimated spend of cultural visitors to Melbourne p.a.($b)[2]



Note: "Cultural tourism" includes visitors who complete at least one arts and heritage activity on their trip to Australia. 2. Assumes that spend per night in Melbourne is the same as spend per night on trip to Australia as a whole, and that spending and trip length remains constant at 2015 levels. Assumes that growth in cultural visitors continues at average rate of 2006-15. Spend per visitor calculated by dividing total spend of each country in 2015 by total number of nights spent in Australia by visitors from that country in 2015. Number of nights spent in Melbourne per visitor estimated by using the average number of nights spent in Melbourne by cultural visitors in the Global Traveller Survey (2016).
Source: Tourism Research Australia: National and International Visitor Surveys; Global Traveller Survey (2016); BCG analysis.

Cultural visitors stay 25% longer than average

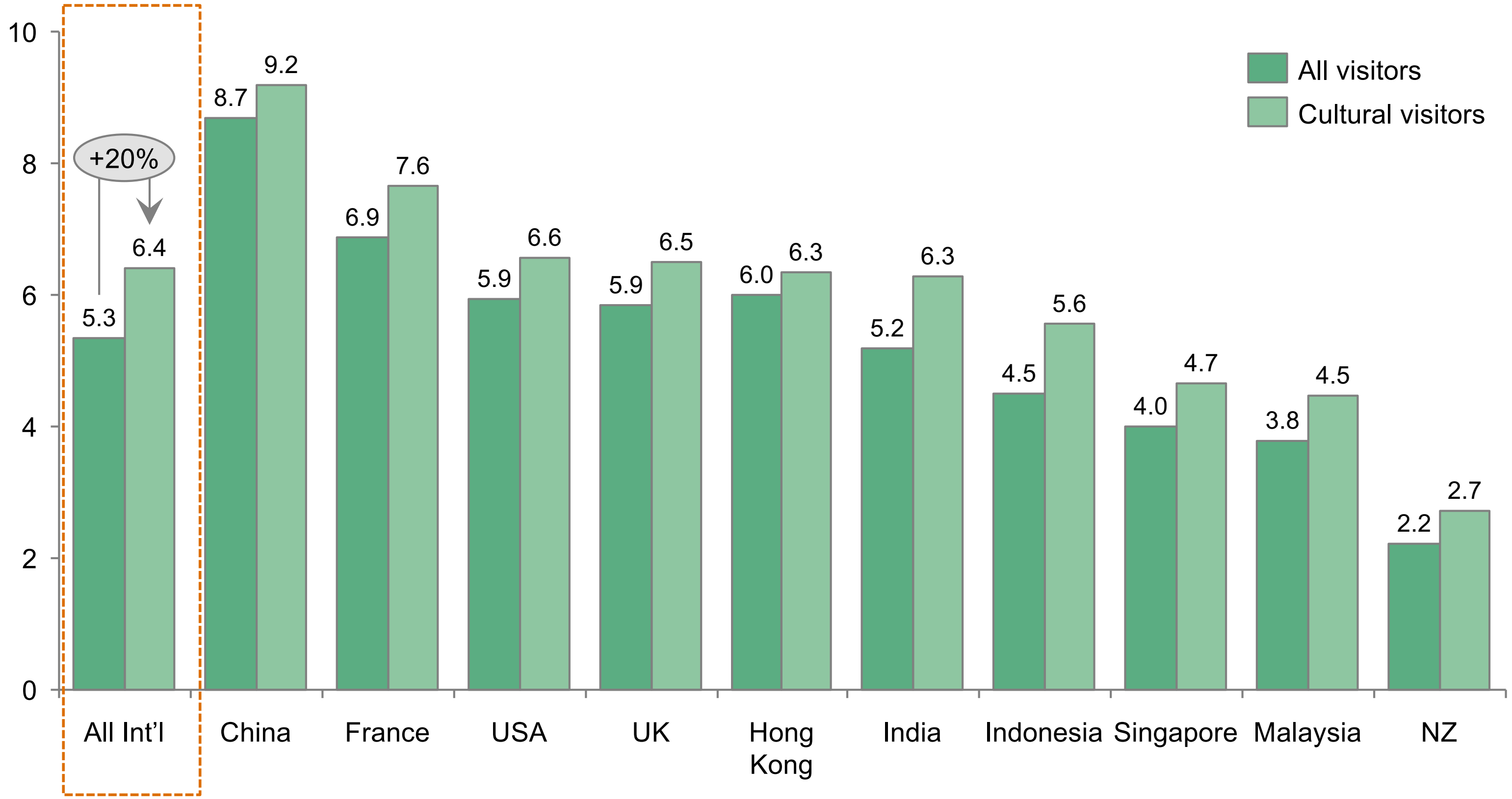
Average length of trip to Australia, 2015 (nights per visitor)



Source: Tourism Research Australia (2015): International Visitor Survey.

Cultural visitors spend 20% more per trip on average

Average spend per trip to Australia, 2015 ($000 per visitor)



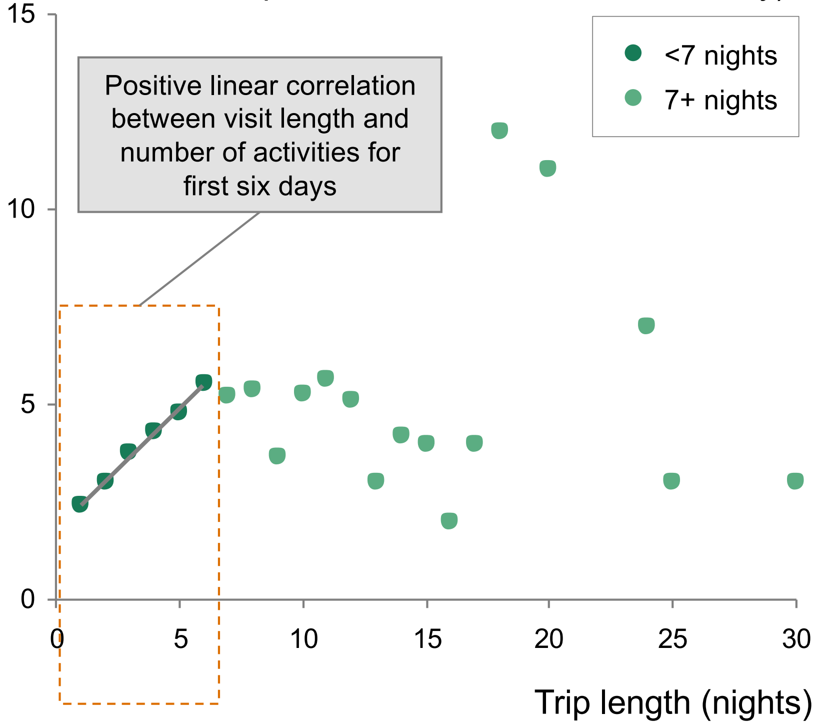
Source: Tourism Research Australia (2015): International Visitor Survey; BCG analysis.

Internationals do more cultural activities the longer they stay

But rate of engagement (activities per day) slows

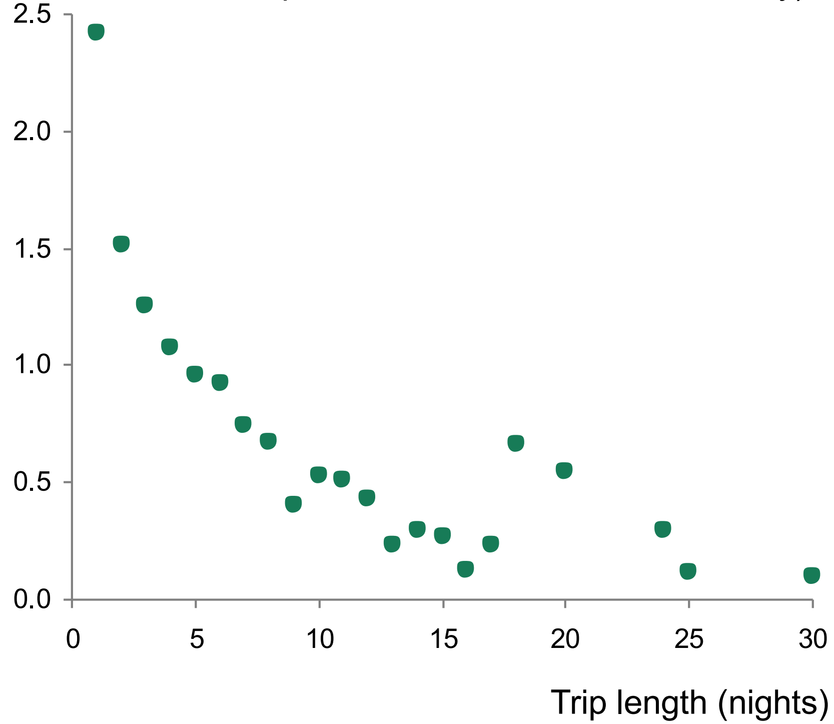
On average, cultural engagement increases up until the seventh day of a visitors' stay

Average number of creative activities done in Melbourne
(of visitors who completed at least one creative activity)



...but as trip length increases, average number of activities per day decreases

Average number of creative activities per day
(of visitors who completed at least one creative activity)

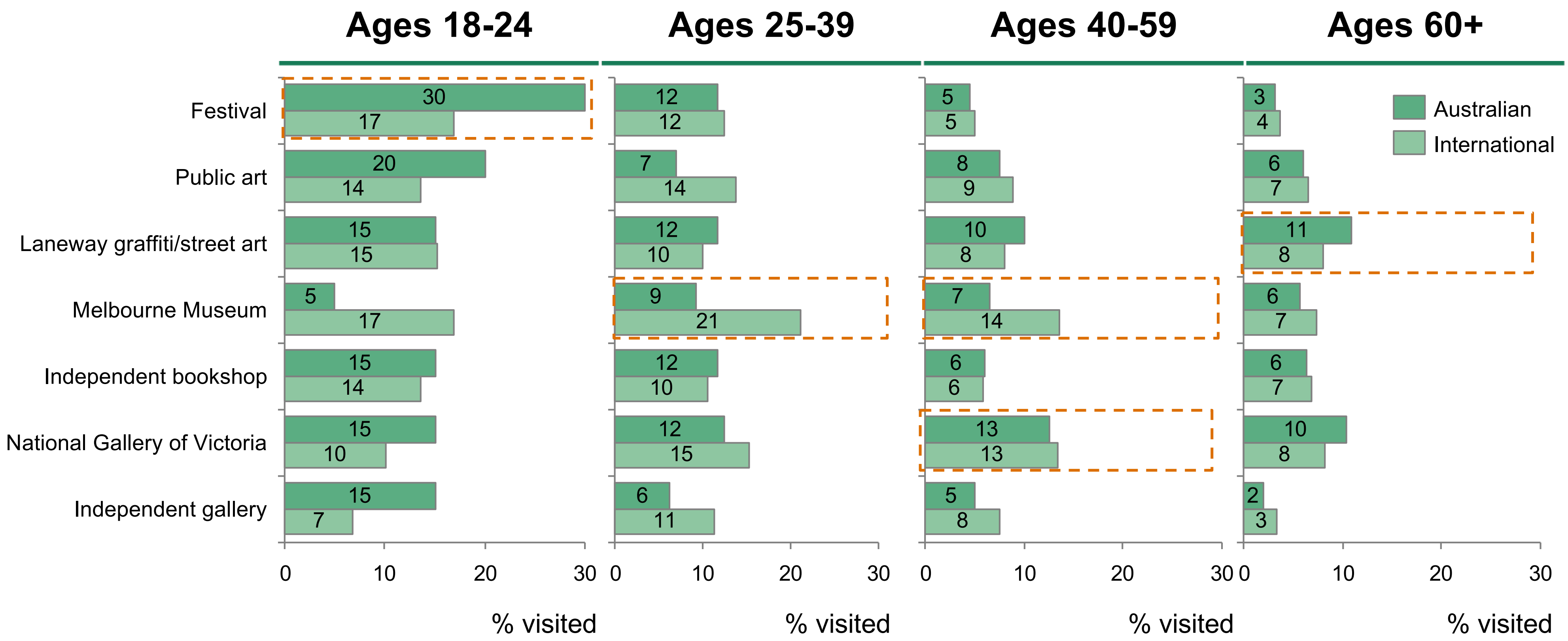


Source: Global Traveller Survey (2016)

Younger visitors favour festivals and public art

Other groups more likely to visit Melbourne Museum and street art

Question: Which of the following creative activities did you complete on your last holiday to Melbourne?



Generational preferences may change with age, i.e. today's 18-24 year old may choose museums over festivals in 2040

Source: Global Traveller Survey (2016)

Three key trends that could impact Melbourne's offer

China

By 2030, a billion people in Asia will have the disposable income to travel

- Australia is one of Chinese travellers' top five "dream destinations"[1]
- China is already Melbourne's top source of international visitors (0.5m in 2015)[2]
- The number of Chinese visitors to Melbourne has increased 15% p.a. since 2006[2]
- Globally, creative attractions are taking steps to make themselves "China-ready"[3]

Millennials

By 2030, millennials will make up a large share of the tourism market[4]

- In the coming years, millennials will have more disposable income
- Millennials are more interested in international travel and global cultural experiences than other generations
- Globally, creative attractions are targeting millennials in their marketing and customising their offer to suit millennials' preferences

Digital

Cities and creative attractions are leveraging new technology to reach consumers and make their offer more attractive

- Most top creative attractions and destinations now have a strong online presence, with a web page, social media accounts, and freely accessible online content
- Mobile apps are increasingly used to enhance experiences at creative attractions

1. BCG and Trip Advisor (2013): Winning the Next Billion Asian Travellers. 2. Tourism Research Australia: International Visitor Survey. 3. Los Angeles Tourism and Convention Board (2016): China-Ready Designation Requirements. 4. BCG (2011): Millennials Survey.

Agenda

Executive Summary

Context

Performance Index

Assessing Melbourne against best practice

Cultural travellers and trends

Strategic priorities

Next steps

Five strategic priorities to improve Melbourne's cultural offer

1 Make culture a key part of the Melbourne proposition

- **1a** Develop clear creative city messages
- **1b** Target priority segments and travellers
- **1c** Grow creative city awareness through investment, multi-faceted strategy (incl. social media)

2 Protect existing infrastructure

- **2a** Expand supply of creative spaces in under-served areas, address affordability
- **2b** Improve maintenance, utilisation and storage of assets

3 Optimise the current offer

- **3a** Build an integrated marketing, sales, reviews platform for creative and cultural activities
- **3b** Enhance connectivity between attractions

4 Expand our offer

- **4a** Upgrade and invest in new <u>programming</u>
- **4b** Upgrade and invest in new <u>infrastructure</u> to fill gaps

5 Enhance governance

- **5a** Use the Evaluation Framework to assess impact, viability and feasibility to build a pipeline of investments
- **5b** Strengthen governance of Melbourne Arts Precinct
- **5c** Improve agency collaboration

These priorities build on the Creative State Strategy

Area of weakness	Creative State Strategy	Strategic Priorities
Brand and marketing	8 Affordable advertising for arts orgs 11 Innovative marketing for small/mediums 33 International touring, events, collaboration	1a Develop clear creative city messages 1b Target priority segments and travellers 1c Grow creative city awareness through investment, multi-faceted strategy (incl. social media)
Availability and affordability of Space	7 Identify and unlock creative spaces in metropolitan and regional areas 19 Guidelines to apply design principles to improve streetscapes, renew spaces, integrate art into new development	2a Expand supply of creative spaces in under-served areas, address affordability
Infrastructure maintenance	9 Invest in Collections Storage	2b Improve maintenance, utilisation and storage of assets
Information and connectivity	27 Shared data platform for program info	3a Build an integrated marketing, sale reviews platform for creative and cultural activities 3b Enhance connectivity between attractions
Events and programs; cultural and creative content	1 Aboriginal training and employment in creative sector; greater engagement 4 Support small/medium artists to develop, 3 Commission groundbreaking works 6 Business acceleration services 11 Funding for small/mediums to build audiences, respond to market challenges 28 Review role, delivery and operation of festivals, community events	4a Upgrade and invest in new programming 4b Upgrade and invest in new infrastructure to fill gaps
Governance and collaboration	12 An annual summit and program of events for cultural and creative professions	5a Use the Evaluation Framework to assess impact, viability and feasibility to build a pipeline of investments 5b Strengthen governance of Melbourne Arts Precinct 5c Improve agency collaboration

Ideas should be compared against the Evaluation Framework

Framework can support development of 10-year pipeline

Initiative Evaluation Framework

A **Desirability** ***(measured by the Performance Index)***	Does the idea make Melbourne a more **attractive place** for people to **study and work** in?
	Does the idea enhance **consumer perception** of the **quality** of Melbourne's **cultural and creative offer?**
	Does the idea enhance **expert perception** of the **quality** of Melbourne's **cultural and creative offer?**
	Does the idea make Melbourne more **attractive** for locals and international **tourists to visit**?
	Does the idea enhance Melbourne's international **brand recognition and strength**?
B **Viability**	Does the idea provide an acceptable **economic return**?
	Does the idea provide **important non-economic benefits**?
C **Feasibility**	Is the idea **technically, administratively** and **politically** feasible?

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