The factors affecting the development of the musical performance
A study on the musical performance in Shanghai

Master’s thesis within Economics and Management of Entertainment and Arts
Author: Jin Xu
Tutor: Börje Johansson
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Abstract

The development of musical theatre in China is still in its initial stage, only a few big theatres have the ability of operating musical performance, and at this time, musical theatre is only performed in few big cities in China, like Shanghai and Beijing. The thesis focuses on the development of musical theatre in Shanghai. As an entertainment activity and also one of the performing arts, the demand for musical theatre could be affected by many factors like educational background, income and competition from other forms of entertainment activities. There were many previous studies about the performing arts which also focused on the factors like education and income, however, the level of contributions of these factors to the development of different forms of performing arts are different. By reviewing related previous literatures and analyzing the data collected from Shanghai Grand Theatre which bases on a meta analysis of previous studies of performing arts, the thesis explores the current situation of the development of the musical performance in Shanghai and studies various factors that affect the demand for musical theatre, as a result, a deeper understanding of how factors like educational background, income, competition among forms of entertainment activities etc. affect the development of musical theatre in Shanghai wish to be provided.
# Table of Contents

1 Introduction
   1.1 Background
   1.2 Defining musical theatre
   1.3 Problem
   1.4 Research questions
   1.5 Purpose
   1.6 Delimitations

2 Theoretical framework
   2.1 Factors affecting the demand for musical performance
      2.1.1 Competition among forms of entertainment activities
      2.1.2 Education
      2.1.3 Income
      2.1.4 Leisure time
      2.1.5 Taste
      2.1.6 Price of related goods
   2.2 The musical theatre industry

3 Research method
   3.1 Data gathering
   3.2 Research approach
   3.3 Research method

4 Empirical Findings and Analysis
   4.1 Meta analysis
   4.2 An assessment of the development of musical performance in Shanghai
   4.3 Factors affect the demand for musical performance in Shanghai
      4.3.1 Education
      4.3.2 Income
4.2.3 Competition among entertainment activities ................................................. 30

5 Conclusion ........................................................................................................ 33

List of references .................................................................................................. 35

Figures
Figure 4-1 Comparisons of monthly performances in the 2008-09 Season and the 2007-08 Season of Shanghai Grand Theatre .......... 25
Figure 4-2 Comparisons of monthly SGT Presents Performances in the 2008-09 Season and the 2007-08 Season ......................... 26
Figure 4-3 SGT Presents Performances Categories in the 2008-09 Season .......................................................... 26
Figure 4-4 Audience group categories ................................................................. 28

Tables
Table 1 Authors and their results related to education and income that from their study on performing arts ........................................ 12
Table 2 Table 2. Supply and demand co-evolve process .................................................. 17
Table 3 Summary of performing arts price and income elasticity estimates: sorted by year ................................................ 21
Table 4 The attendance rates of performances in SGT of different audience groups in the 2008-09 Season .............................. 31
1 Introduction

In this section, the background and problem are discussed. Furthermore, it introduces the concept of musicals and presents the research questions, purpose and delimitations of this thesis.

1.1 Background

Originated from West End in London and Broadway in America, musicals have been performed at stages all around the world. Including: large venues, like Broadway in New York City and West End in London; smaller theatres; regional productions on tour; amateur groups in schools, theatres and other performance stages. Musical were introduced into China in the 1980s, since then, musical started its development in the Chinese market. In the past few years, a lot of musicals have been showed to Chinese audiences, some of them were foreign original musicals; a few of them were Chinese versions of foreign original musicals (foreign original musicals performed in Chinese language and by Chinese performers) which just appeared in 2008; the others were Chinese local original musicals, such as Jin Sha.

The development of musicals in china is in its initial stage, because only few people know and are attracted to attend the musical performances, and it was only operated by a few theatres. The demand for musicals is affected by many factors, including competition of substitutes, educational attainment, gender, age, taste and income. For example: musicals have to compete with other entertainment activities for consumers’ time and money. The government has taken methods to stimulate the development of musical plays, for examples: many famous foreign musical troupes have been invited to perform in government owned theatres; training classes have been established in different academies to foster musical talents; government support the production of local original musicals; musical operators lead the direction of musical theaters’ development in china, as the cooperation between international and Chinese companies continuously develops, for example, they work together to introduce foreign popular musicals to China.

In recent years, a lot of foreign original musical theaters have been introduced into china from Broadway in America and West End in London; some were even so successful that have attracted a great number of audiences’ attention in big cities in china, like
Shanghai and Beijing. That indicates that a lot of people in China are interested in musicals and choose to spend their leisure time on them. The Chinese government has for many years set the reinvigoration of cultural industries, including performing arts, as a priority in future development. The government has promised to strengthen efforts to protect IPR, facilitate entry into the cultural market, and broaden the channels of investment. The government once again emphasized the importance of cultural industries in its recent 11th Five Year Plan. With the increase in living standards and disposable income level, the Chinese people will spend more on cultural products to improve their spiritual civilization. As the country’s per capita consumption is projected to grow by an annual average of 10.8% until 2020, spending on the cultural industry will also rise substantially (Dave Comley, 2010)

With all these efforts have been done by government and musical operators, funds have been invested and strategies have been adopted, musical theater which could be considered as one global culture is supposed to become more and more popular in China. However, what is the true situation of the development of the musical industry in China? Since the development of the musical industry is still in its initial stage, musical could be seen only in big cities like Shanghai, Beijing and Shenzhen in China this time. This thesis explores the current situation of the development of the musicals in the big city Shanghai, and gives a brief study of the factors that affect the attendance of musical such as educational attainment, income, taste, and price of related goods, and meanwhile analyzes the competitors of musical industry.

1.2 Defining musical theatre
Musical theatre is a form of theatre combining music, songs, spoken dialogue and dance. It is closely related to opera, frequently being distinguished by the use of popular music of various forms (and thus usually different instrumentation), the use of unaccompanied dialogue (though some musicals are entirely accompanied, such as Les Miserables, and some operas have spoken dialogue, such as Carmen), and the avoidance of many operatic conventions. Musical theatre is a collaborative craft with a long history of traditional forms and structures, although new writing in musicals is constantly stretching and testing the enormous flexibility of the artform, taking it to previously unexplored places.
Since the early 20th century, musical theatre stage works have generally been called simply, "musicals" (Ganzl, Kurt, 2001).

The three main components of a musical are the music, the lyrics and the book. The book of a musical refers to the ‘play’ or story of the show - in effect its spoken lines; however, ‘book’ can also refer to the dialogue and lyrics together, which are sometimes referred to (as in opera) as the libretto (Italian for ‘little book’). The music and lyrics together form the score of the musical. The interpretation of the musical by the creative team heavily influences the way that the musical is presented. The creative team includes a director, a musical director and usually a choreographer. A musical’s production is also creatively characterized by technical aspects, such as set, costumes, stage properties, lighting, etc. that generally change from production to production (although some famous production aspects tend to be retained from the original production, for example, Bob Fosse’s choreography in ‘Chicago’). The 20th century ‘book musical’ has been defined as a musical play where the songs and dances are fully integrated into a well-made story, with serious dramatic goals, that is able to evoke genuine emotions other than laughter (William A. Everett & Paul R. Laird, 2002).

In this thesis, the above definition of musical will be used.

1.3 Problem
According to statistical data from China Daily, in United States, there was an 11.3 percent increase in cultural industry (the notion of cultural industries generally includes textual, music, television, and film production and publishing, as well as crafts and design. For some countries, architecture, the visual and performing arts, sport, advertising, and cultural tourism may be included as adding value to the content and generating values for individuals and societies) each year from 1991 to a few of following years, which as a result made the cultural industry become an important part of the world economy. In advanced countries, the cultural industry produces value which accounts for more than 10 percent of the whole GDP. For examples: 17% in Japan and 12% in the USA. And in China, according to the information from the 2nd national cultural system, cultural industry work conference held in Xi’an, Shanxi Province in China. In recent years, China’s cultural industry entered a new period of accelerated development. The statistics from the National Bureau of Statistics of China show that, since 2005, the
growth rate of added value of cultural industry exceed two-digit number every year, much bigger than the economic growth rate in the same period. The rapid development of the cultural industry has significantly promoted every region’s cultural prosperity and economic development. The cultural industries in most provinces and cities in China account for more than 5 percent of GDP. Shenzhen’s value added of cultural industry reached 38.196 billion Yuan in 2006, up 25.9 percent than the same period of pervious year, and account for 6.7 percent of the city’s GDP (People’s Daily Online, 2008).

Latest statistics released by Beijing Statistic Bureau showed that from Jan to Sep in 2009 the city’s cultural industry’ value makes up 11.8% GDP, compared to 10.1% in 2004. While in 2004, cultural industry in the Great Britain accounts for 8 percent, in Sweden 9 percent (Haraldsen et al, 2004). Comparing Great Britain and Sweden with Beijing in 2004, there is not big difference between the size of cultural industry, and Beijing even had a larger cultural industry in relative terms. However, there is an important factor we need to notice, Beijing is the capital of China, there are nearly 8000 companies in the Beijing cultural industry, which is 13.7% of the country’s total. And it is obvious that Beijing cultural industry gets a lot of tax from revenues and absorbs more surplus labor (People’s Daily Online, 2009). So the cultural industry in Beijing cannot represent the average size of cultural industry in most cities in China. As in most provinces and cities in China, cultural industry account for approximately 5 percent of GDP, so if we compare it with 9% in Sweden and 8% in Great Britain, the average size of cultural industry in China is much lower than some European countries.

The performing arts’ industry belongs to cultural industry. However, comparing with other research fields, studies of the economics of the performing arts are few; the literature is still in development. Its origin could be dated from 1968 the year in which William J. Baumol and William G. Bowen published Performing Arts: The Economic Dilemma (James Heilbrun & Charles M. Gray, 2004).

Musicals, as one of the performing arts, traditionally creates more spiritual than pecu

niary income (Harold L. Vogel, 2007). The musical industry operates under somewhat different economic assumptions compared to other entertainment industries, such as film and music. In china, there exist a great number of organizations and huge musical theatres are government owned; the government finances their daily operation cost. On-
ly a few organizations and companies require for their existence support from private foundation grants and contributions by individuals. Among all of them, only few companies or organizations, for examples, Shanghai Grand Theatre and China Arts and Entertainment Group, can make profit from performing musicals, and usually these musical operators are in big cities like Shanghai, Beijing and Shenzhen. Many factors contribute to this phenomenon, such as people’s average monthly income, educational level, competition among forms of entertainment activities etc.

In the realm of art and culture, attendance at the musical performances competes for consumers’ time and money with other entertainment activities, such as film, opera, dance and concert. Therefore, the competition among forms of entertainment activities is a significant aspect to study.

Baumol has (1968) pointed out that, the audience for high culture is dominated by highly educated individuals in high-income brackets. It indicates that both educational attainment and income are very important factors connected to the attendance of musical, and this paper will pay attention on these two factors.

Besides the above factors, taste and price of related goods also contribute to the demand of musical in market; both of them will be taken into consideration during the process of the analysis of the musical industry in China. By analyzing these different factors which affect the attendance of musicals, a better understanding and insight of various factors’ contribution to the current situation of the development of musical industry in China could be provided.

1.4 Research questions
 Derived from the above stated research problem, this thesis provides answers to the following research questions;

First, the thesis provides an assessment of the current supply of musical performance in Shanghai, and a brief prediction of how will the supply in Shanghai develop in the future?

Second, the thesis studies which factors affect the demand for musical performance in countries like US, UK and Germany as a background to understanding the development
of the musical theatre in China. Third, how is the development of demand in Shanghai affected by these general factors? Fourth, the issues of price, income and demand for musical performance can be illuminated by information about price and income elasticity in the musicals market. In this case the thesis will carry out a Meta analysis that makes use of results from earlier studies.

1.5 Purpose
The purpose of this thesis is to provide answers to the specified research questions and explore the current situation of the development of the musical performance in Shanghai and to investigate various factors that affect the demand for musicals in Shanghai and study how they contribute to the current situation of the development of the musical performance in China.

1.6 Delimitations
The thesis is a study on factors that affect the musical industry in big cities in China, and take Shanghai Grand Theatre as the objective of the analysis, mainly focuses on Shanghai market. There are always factors, however, which have a negative impact on the results. As some of the data collected from Shanghai Grand Theatre was conducted without a focus on the musical industry, but on the performing arts, therefore, the use of this data may mislead. And it is also difficult to collect a lot of musical related literatures and data to analyze.
2 Theoretical framework

This section presents the theoretical framework of what includes discussions concerning theories of factors that affect the demand of musicals and how these theories are suitable for the analysis.

Historically, the fine arts were limited to painting, sculpture, architecture and engraving. Today, the fine arts commonly include visual and performing art forms, such as painting, sculpture, installation, Calligraphy, music, dance, theatre, architecture, photography and printmaking. In modern times, musical is one of the performing arts, many people probably think of it as above mere commerce, a few might wish that businessman and economists would stay away from it. However, no matter how highly people value it, musical, as one kind of the art and cultural products, is produced by individuals and institutions working within the general economy, and therefore it cannot escape the limits of the material world (James Heilbrun & Charles M. Gray, 2004).

2.1 Factors affecting the demand for musical performance

By reviewing related previous research, a list of factors that may affect the demand for musicals were found. These factors include: competition among different forms of entertainment activities; education; income; leisure time; taste and price of related goods. In the following part, the thesis will focus on the study of the mentioned factors. However, since previous literatures that focused on the musical industry are very rare, the thesis will study some literatures which have taken the performing arts as the research objective, since musical is one form of the performing arts.

2.1.1 Competition among forms of entertainment activities

In the realm of art and culture, musical theatres need to compete with different entertainment activities include film and other forms of live performing arts like concert, dance and opera, in order to win consumers’ time and money. If the consumers prefer to spend their leisure time and money on film or concert, the demand for musical theatres will decrease. Heilbrun and Gray (2004) argued that competition in the field of art performances is periodically revolutionized by technological innovations. The live performing arts did not stand up well under competition with talking pictures. The decline in real per capita income during the Great Depression may also have hurt the more ex-
pensive live performing arts in competition with the movies (J Heilbrun & CM Gray, 1993). By analyzing expenditures on admissions as a percentage of disposable income and consumer spending on admissions to spectator entertainment in the United States, they (2004) found that the live performing arts’ share of spectator spending fell from 14 percent in 1929 to about 8 percent ten years later, and in 1929 consumers had spent 16 cents on the live performing arts per 100 dollar of DPI, by 1939 such outlays had fallen to just over 9 cents per 100 dollar. In modern times, in the realm of art and culture, attendance at the musical performances competes for consumers’ time and money not only with entertainment activities like film and television which do not belong to the live performing arts, but also other kinds of live performing arts include opera, dance and concert.

In the following part, this paper will give a brief introduction of opera, dance and film industry, as these are relatively strong competitors to musical in China. In addition, KTV (Karaoke has been introduced into China from Japan) as an entertainment activity is also a powerful substitute activity to musical nowadays in China. However this is only true in China, so in the fourth part of this thesis, the author will give an analysis of the KTV industry, as it and film are the two most popular entertainment activities recently in China.

**Opera**

When Opera America, the service organization for major professional opera companies, was formed in 1970, it had only seventeen members. By 1997 membership had grown to 110 U.S. and fifteen Canadian companies (James Heilbrun & Charles M. Gray, 2004). Today, there is still a great amount of audience would like to attend opera. In china, besides the opera introduced from America and West End in London, China has its own traditional opera. For example, Chinese Kunqu Opera, which has a continuous history of 600 years. This highly distinctive theatre was made up of various elements - music, singing, dancing, recitation, and movement. From the early 16th century, Kunqu, a form of drama popular in Suzhou area emerged and soon spread over the country. Being China's oldest and one of its most influential theatrical traditions, Kunqu is famous for its soft and refined music as well as its poetical style of wording (Xiao Li, 2005). China boasts more than 360 regional styles of opera. These ancient forms of drama are still ac-
tive on China's stages today. A regional opera is usually popular in several provinces, while one province enjoys several local operas. Beijing opera or Peking opera is a form of Chinese traditional operas which combines music, vocal performance, mime, dance and acrobatics. It arose in the late 18th century and became fully developed and recognized by the mid-19th century (Goldstein & Joshua S, 2007).

Chinese traditional opera has a great amount of audience attendances, and its market is still expanding. Not only more and more Chinese people are attracted by this traditional culture, but also many foreign audiences are interest in it.

**Dance**

Before World War II there was very little professional ballet on view in the United States. The war boom in entertainment is well documented (Roshwald, Aviel & R. Sites (eds), 1999). In 1933, the choreographer George Balanchine came to the United States to start a school of ballet and a permanent company. In the following years, the excitement generated by Balanchine’s work and his company and by U.S. tours of the great European ensembles helped to spark the dance boom of the postwar era. The Ford Foundation also announced a ten-year, $7.8 million grant ‘to strengthen professional ballet in the United States’ in 1963. Support from the foundation was critical in helping dance organizations to develop during their early years of rapid growth. From the late 1960s to the 1970s, the NEA promoted the development of modern dance by joining with local sponsors to finance an extensive dance touring program. This helped spread the gospel of modern dance to all parts of the country (James Heilbrun & Charles M. Gray, 2004). Nowadays, dance, as one of the performing arts, is welcomed by a lot of audience all over the world. However, the prospect of the market of dance in China is still not optimistic, it accounts for a small proportion of the whole entertainment market. It might has a relatively least audience group when comparing with opera, musical, concert and film.

**Film**

Film, as an important art form, is warmly welcomed all over the world. There is a great number of people who prefer to spend on film, and the number is still growing faster in China each year. In fact, live entertainment production in the metropolises probably suffered less from the competition of cinema at the beginning. Only when sound film was
introduced did Broadway start to decline. The fact that this happened before 1929 confirms that the decline was caused by sound film, and not by the Depression (Gerben Bakker, 2008). In modern times, a great part of the film industry in America is established around a center of Hollywood. However, as the popularity of film all over the world, there are other regional centers exist in some areas of other countries in the world, for example: Mumbai-centered Bollywood, the Indian film industry’s Hindi cinema which produces the largest amount of films in the world. In 2007, around 2500 movies have been produced in the western world (US, Australia, Japan, South Korea and Europe include Russian Federation), among them 453 came from US, and another 2400 have been made in former third world (rest of Asia, Mexico and South America, Africa), while 1164 of them were made in India. In recent years, in order to meet the audience’s demand of film, this also is a great increase in the number of movies has been produced in China. In 2004, there were 212 films have been produced. In 2009, China’s film industry produced over 500 films in 2009, compared to just 100 in 2002, the box office revenues surged 44 percent to $908 million according to the state-run China Film Group. China films accounted for 56 percent of the take. Comparing with musical, dance, opera and concert, the market of film in China is the largest. And it is still growing up, so there is a huge group of potential audience.

In addition, there was the more mixed social cross-section of local communities that came to see the cinema when travelling showmen visited their village or town (Musser, Charles, 1990). Film market is the largest in art and culture industry nowadays in China; opera outranks dance and other performing arts in revenue and audience terms primarily because the popular of Chinese traditional opera. To musical in China, there is a potential widespread appeal; however, it is just in its initial stage. The prospect of the development of musical in China is unpredictable, especially in the second- and third-tier cities.

### 2.1.2 Education

Most of the empirical work on the demand for the performing arts, which include the tracking of the audience of performing arts found that the characteristics of the audience are often similar whether for classical music, musical theatre or museums: the audience, which includes a number of tourists, is well educated, from the upper or middle class
and with well-paying job (Ruth Towse, 2003). For example, in 1976, the National Research Center of the Arts, Inc conducted art survey, and later they have been used by DiMaggio and Useem (1978) as the key data source in their studies of the performing arts. They found relative roles of education and income is significant in determining performing arts attendance. Table 1 listed the some authors and their results about education as an important determinant of the demand for performing arts.

According to table 1 and those previous studies, education is likely the most significant factor affecting people’s appreciation of musical, as musical is one of the performing arts, which is also considered as one of the fine arts. In 1968, Baumol and Bowen pointed out in their study that, the audience for high culture is dominated by highly educated individuals in high-income brackets. Although education seems to have a relatively stronger affect than income, separating the effects of education from those of income is always difficult. Educational attainment and income are separately correlated with many other factors that influence behavior, but they are also very strongly correlated with each other. Take the performing arts for example; in China, it is widely believed that the rich people have a very higher possibility to attend the performing arts than do the poor, as the cost of the attendance of the performing arts is expensive, and to understand the meaning of them also require better educational backgrounds. Poor people, on average, have not received good educations, while the rich people are usually also better educated. However, if the poor people have received good educations, they are able to own much money, and have higher possibility to attend the performing arts performance (Harold L. Vogel, 2007). Is it the income or the educational attainment that decides people’s prone to attend the performing arts performance? Since education and income are so highly correlated with each other, it is very difficult to sort out their separate effects.

However, based on previous studies listed in table 2, we know that attendance to the arts varies more widely by level of education than by level of income, which certainly suggests that education is an important factor. For example, education has something to do with the development of an individual’s taste for art and culture.
Table 1. Authors and their results related to education and income that from their study on performing arts.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Results of their study</th>
</tr>
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<tbody>
<tr>
<td>Baumol &amp; Bowen (1968)</td>
<td>Most of the audiences for high culture are highly educated individuals with high income. Although education seems have a relatively stronger affect than income, separating the effects of education from those of income always poses a difficult problem for the social scientist.</td>
</tr>
<tr>
<td>Ford Foundation (1974, 2. p. 16)</td>
<td>Ford Foundation study has been the most influential in confirming that ‘to a startling degree… it is indeed education rather than income that matters most’.</td>
</tr>
<tr>
<td>Globerman (1989)</td>
<td>Cited the US data from the Association of College, University and Community Arts Administrators, Inc. (1984-1985) as providing at least ‘suggestive’ evidence that education is more important than income and occupation in determining arts attendance.</td>
</tr>
<tr>
<td>Peterson, Hull &amp; Kern (2000)</td>
<td>Reported that education is the strongest predictor of arts attendance using data from the 1997 SPPA survey and basic OLS estimation.</td>
</tr>
<tr>
<td>Ehrensaft (2001)</td>
<td>The likelihood of money being spent on orchestral music is linked to consumer’s increasing age, education and income.</td>
</tr>
<tr>
<td>National Endowment for the Arts (2004)</td>
<td>National Endowment for the Arts 2002 SPPA survey continued to report that education. ‘more than any other demographic factor’ is highly correlated with attendance at arts events and museums.</td>
</tr>
<tr>
<td>Victor Ginsburgh &amp; C.D. Throsby (2006)</td>
<td>Di Maggio and Useem (1978) used arts survey studies such as the National Research Center of the Arts, Inc. (1976), as the key data source and the Ford Foundation (1974, Vol. 2), their study have contributed substantially to our understanding of the relative roles of education and income in determining performing arts attendance. While the positive causal relationship between education and income has plagued econometric efforts to separate their independent effects, the early non-econometric literature was replete with evidence that the role of education was much stronger than that of income. Education is a stronger determinant than income, but that evidence is more reliable from survey results than from econometric estimation.</td>
</tr>
<tr>
<td>Victor Ginsburgh &amp; C.D. Throsby (2006)</td>
<td>Education only failed as the stronger factor compared to income in the case of movies, where their average ‘explanatory power’ was equal.</td>
</tr>
</tbody>
</table>
2.1.3 Income
By analyzing the consumer’s spending on the performing arts and related categories of recreational activity as a percentage of disposable income from 1929 to 1997 in United States, Heilbrun and Gray (2004) found that consumer spending on recreation as a whole has risen from 5.9 percent of DPI in 1970 to 7.9 percent in recent year, while real disposable income per capita rose 62 percent over the same period. In most cases, consumers’ demand for a particular commodity or service will increase as their income rise. Assume the average level of family income rises in a society that is enjoying income growth; the demand for attendance at the live performing arts will also increase. Since income is an obviously important determinant of consumer behavior, it is necessary to pay a good deal of attention to its influence on the demand for art and culture. Heilbrun and Gray (1993, p.94) have pointed out, ‘most studies have shown the demand for attendance at the live performing arts to be price inelastic’. It could be explained like that consumers of live performing arts are not especially sensitive to changes in price; an increase in price does not lead to an decrease in demand as might be measured by number of tickets sold per unit time. As far as the performing art industry is concerned, according to previous studies and researches, the average middle-class family attends the performing arts performance more frequently than does a poor family.

2.1.4 Leisure time
Most people have some hours left over after work, study, or some other essential domestic activities, it is the period of recreational and discretionary time. But this remaining time has a cost in terms of alternative opportunities forgone (Vogel, 2007). As time to consume goods does not increase commensurately with the number of goods available. Attendance at live performances, of course, normally requires a relatively large allocation of time. Different entertainment activities and even different live performances have to compete for the limited time. So the consumers’ leisure time is an important factor when selecting from among entertainment alternatives, which indicates that the demand for the performing arts like musical theatres could be affected by leisure time. In recent years, the economy of China has been growing very fast. People’s income and the available array of consumption goods increased to a great extent. Chinese people, especially in big cities, have more choices than before, when they spend their spare time. However, the leisure time to consume goods did not increase commensurately with the
number of goods available. Although the government has formulated more festival holidays since 1999s, for example, people usually have a 7-day’s holiday for China National Day and another few days’ holiday for May Day, Chinese people prefer to go on a trip, shopping or celebrate with the family than to watch performing arts include musical.

2.1.5 Taste
Consumption and taste are closely linked together; taste as a preference of certain types of clothing, food and other commodities directly affects the consumer choices at the market. The causal link between taste and consumption is however more complicated than a direct chain of events in which taste creates demand which in turn creates supply (Thorstein Veblen, 1899). A more complex economic model for taste and consumption was proposed by economist Thorstein Veblen (1994). He challenged the simple conception of man as plain consumer of his utmost necessities, and suggested that the study of the formation of tastes and consumption patterns was essential for economics (Ekelund & Hébert, 1990). To take a simple example, some consumers prefer Coca-Cola to Pepsi or other brands of coke, while some prefer soft drink to coke. Obviously, the aggregate of these preferences affects the consumption of Coca-Cola as compared with other brands of coke or soft drink. Similarly, in the realm of culture, some consumers would like to attend musicals rather than concerts; some enjoy the theatre but have no taste for music, some watch films in preference to attending any sort of arts activity. With the accumulation of all these preferences, our cultural life is strongly influenced.

According to neoclassic theory, the market responds efficiently to consumer preferences. If consumers want to eat bread, it is desirable that business produce bread. If tastes change and demand for bread declines, less bread will be produced. Whatever consumers want (normal products), they should get. However, the case of the arts is somewhat different, because art is described as an ‘acquired taste’, which indicates that you have to be exposed to it in order to develop the taste, and perhaps exposed under the right circumstances and for rather a long time (James Heilbrun & Charles M. Gray, 2004). As a result, if we want to stimulate the consumption of the arts, we must help people to acquire the taste both by making the arts accessible and by directly stimulating exposure. The learning of taste by exposure to the arts is a significant question in the economics of
art and culture. Smith (1998) concluded that culture or art is at the very least habit forming rather than addictive. It is often assumed that the consumption of certain goods causes changes in preferences: the more we consume these goods, the more we like them. In the process of the learning of taste, tastes are changed by the experience of consumption. An approach is taken by the theory of learning by consuming. Consumers are supposed to be unaware of their true taste and to discover it through repeated experiences. Tastes are given but unknown during the learning process (Ruth Towse, 2003). Every new experience of an art form reveals to the consumer an unexpected positive or negative increment in her taste for it. There exist great differentiation among different art and cultural goods, someone who has discovered that he has a taster for musical theatre will normally experience over time repeated pleasant surprises by attending the musical performances and will revise his expectations upwards. Since the formation of taste base on consumers’ own past experience of the specific art form, the formation of taste one period ahead is no different than its formation in the more distant future. The taste was formatted during the process of learning, so the learning process is very important for taste formation.

2.1.6 Price of related goods
Almost every consumer good has substitutes. Demand for the good itself is affected not only by its own price but also by the prices of the substitutes. The quantity of Pepsi consumers will buy depends in part on the price of Cock-cola, the quantity of chicken on the price of beef. In the same way, in the realm of art and culture, the demand for tickets to musical is affected by the price of substitutes, such as opera, concert, film and dance. If two goods are substitutes in consumption, the relationship between the demand of one and the price of another is always positive; the higher the price of film tickets, the greater the demand of musical attendance. The demand of a given good always moves in the opposite direction of the price of its substitutes.

2.2 The musical theatre industry
When studying the economics of the musical, as it is one of the creative activities, the features of organizations and companies in this industry are somewhat different from the normal industries. Caves (2000, p.2) pointed out the basic economic properties of
creative activities on the organizational patterns in creative industries. The paper tries to describe the features of musical industry as:

1. Since no one knows in advance how consumers will value new musicals and size of audience, the demand for the new musicals is highly uncertain.

2. Unlike workers in other industries who are primarily functional and standardized, creative workers care greatly about the musicals they produce.

3. Diverse skills and professional workers with unpredictable vertically differentiated skills are usually required during the production of musicals.

4. Workers in musical industry are usually differentiated not only vertically, but also horizontally.

5. Since time is extremely significant in the creation of many musicals, close temporal coordination by all contributing elements is required.

These features help to explain, for example, why some Chinese original musicals failed to attract the audience and could only run few performances; why the production of many musicals takes longer time than it was planned, and why there is a lack of musical talents in China. In fact, Chinese musical industry is still in its initial stage, to promote the development of musical could be conducted in many aspects.

Besides the factors that affect the demand for musical theatres, when studying the development of the musical theatre industry, we should also pay attention on the supply of the musical theatres. It is an important aspect of the economics of the live performing arts that they have to be consumed at the point of production: to see Mama Mia, one must go to the theatre. As the term “consumer sovereignty” suggests, the standard assumption in the economic analysis of a free-enterprise system is that the quantity supplied responds more or less smoothly to changes in demand. However, the situation is different in the performing art industry, as the commodity has to be produced at the point of consumption (James Heilbrun and Charles M. Gray, 2004). In that case, the local market has to be large enough to support a minimum-size producer before local production becomes feasible. As a result, the supply and demand for the performing arts co-evolve. At the same time, as described in table 2, between them, different factors like
policy, entrepreneurship, education, learning process, habit formation, etc. work together to promote the development of the performing arts like musical theatre.

Table 2. Supply and demand co-evolve process.
3 Research Method

This chapter will present the research method which have been selected to carry out in this study.

3.1 Data gathering

This study is based on a literature review and descriptive analysis of the data collected from Shanghai Grand Theatre.

Most of the data used in this thesis have been collected from the annual report of Shanghai Grand Theatre and statistics from the Chinese government official websites. The data are mainly from the SGT, since the development of musical industry in China is mainly focus on big cities include Shanghai and Beijing.

3.2 Research approach

Lekvall and Wahlbin (1993), presents exploratory, descriptive, and predictive research as the main approaches in which a study can be conducted. As the purpose of this paper is considered, the research approach that is most suitable for this thesis is of explorative nature, because this paper aims to explore the current situation of the development of the musical in Chinese big cities; find the factors that affect the attendance of the musical and explain how these various factors contribute to the musical industry in China. The author will be able to answer these questions through the study of the literature and analysis of data collected from the audience and musical operators.

3.3 Research method

The method of this thesis is the combination of literature review and descriptive analysis of data collected from Shanghai Grand Theatre which based on the Meta analysis of the previous studies of performing arts in other countries and cities.
4 Empirical Findings and Analysis

In this section, the empirical findings consist of a detailed data of the audience and performances of Shanghai Grand Theatre, and a few of statistic data from official websites and survey carried out by the author.

In the second part, the thesis studied the general factors affect the demand for musical theatre in countries like UK, US and Germany. In this part, after the assessment of the development of musical theatre in Shanghai, the thesis, bases on the analysis of data collected from Shanghai Grand Theatre, will focus on how these factors affect the demand for musical performance in Shanghai.

4.1 Meta analysis

In its most general sense, Meta-analysis is no more nor less than the business of describing, synthesizing and analyzing research findings in a particular field (Glynis Marie Breakwell, Sean Hammond & Chris Fife-Schaw, 2000). In the following part of this thesis, a meta-analysis will be conducted to study the price elasticity and income elasticity of the performing arts, since great efforts will be spent on the previous literature review. And bases on the Meta analysis of previous studies of the performing arts in other cities and countries, the thesis will analyze the data collected from Shanghai Grand Theatre.

Price elasticity

Since 1966, there have been no less than 44 econometric studies of the demand for the performing arts (Victor Ginsburgh & C.D. Throsby, 2006). Corning and Levy (2002) said that Studies of the demand for the performing arts typically take one of two basic approaches: survey studies which seek to characterize the demographics of theatre patrons, and econometric studies which seek to quantify demand and income elasticity.

Victor Ginsburgh & C.D. Throsby (2006) tabled 29 studies that have reported either own price or income elasticity, or both. Regarding estimates of the own-price elasticity of demand. 12 of the 29 studies tabled found that the demand for the arts is price inelastic while only four found strong evidence of price elastic demand. Table 3 listed the 27 studies of the performing arts, a review of the table confirmed the suspicion that the arts
(include musical theatres) are luxury goods with own-price elastic demands has not yet been justified by the econometric evidence. However, the arts do indeed have lower price elasticity than other goods and services when properly evaluated at comparable prices. As listed in the table, Frank (2006) presented a comparison of empirically estimated price elasticity of demand for seven very aggregated product groupings ranging from ‘green peas’ to ‘theatre, opera’ (-0.18, cited the short-run price elasticity from Houthakker and Taylor (1970)), found that these is something inherent in the performing arts that would yield very low price elasticity, i.e. limited substitutes. Levy-Garboua & Montmarquette (2003) proposed a suspicion that the arts really are luxury goods with own-price elastic demands. Krebs & Pommerehne (1995) reported low short-run but high long-run price elasticity of demand for performing arts. Felton (1992) found low price elasticity of demand for aggregated groups of arts organizations but significantly higher price elasticity for individual arts organizations. Leo Bonato & Francesco Gagliardi & Stefano Gorelli (1990) used data from Italy during the period of 1964 and 1985, they tried to model and estimate a demand function for live performing arts. The estimated function shows that changes in real income and in performances supplied produce a significant increase in attendance. And a price inelastic demand implies that there is some room for increasing revenues by raising ticket prices. The whole research suggests that good results could be achieved by reducing time costs attached to performing arts’ attendance. Felton (1989) studied individual opera companies and reported only three opera companies with statistically significant subscriber own-price elasticity, with one being elastic (San Francisco), one unity (San Diego), and one inelastic (Houston). Gleen A. Withers (1980) used data of demand for performing arts services in United States from 1929 to 1973. The income variable in the model was taken to be personal disposable income (PDI) per capita. The results were that performing arts attendance is significantly affected by economic factors and much of the variation in aggregate arts attendance rates in the United States since 1929 can be accounted for by changes in relative prices and incomes. Estimates of the demand for performing arts services indicate that own-price and substitute-price effects are significant, and of moderate elasticity, and that change in per capita disposable income have produced significant positive and approximately proportionate, increases in attendance rates. All of
Table 3: Summary of performing arts price and income elasticity estimates: sorted by year

<table>
<thead>
<tr>
<th>Author</th>
<th>Type of public</th>
<th>Year</th>
<th>Price</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Moore</td>
<td>Journal</td>
<td>1966</td>
<td>-0.33</td>
<td>0.35 to 0.43</td>
</tr>
<tr>
<td>2 Houthakker &amp; Taylor</td>
<td>Book</td>
<td>1970</td>
<td>-0.31</td>
<td>1.26</td>
</tr>
<tr>
<td>3 Throsby &amp; Wither</td>
<td>Book</td>
<td>1979</td>
<td>-0.62</td>
<td>1.43 to 2.78</td>
</tr>
<tr>
<td>4 Withers</td>
<td>Journal</td>
<td>1980</td>
<td>-0.90</td>
<td>0.64 to 1.55</td>
</tr>
<tr>
<td>5 Gapinski</td>
<td>Journal</td>
<td>1981</td>
<td>None</td>
<td>0.36</td>
</tr>
<tr>
<td>6 Goudriaan &amp; De Kam</td>
<td>Journal</td>
<td>1983</td>
<td>None</td>
<td>0.10 to 1.02</td>
</tr>
<tr>
<td>7 Gapinski</td>
<td>Journal</td>
<td>1984</td>
<td>-0.66</td>
<td>1.33</td>
</tr>
<tr>
<td>8 Lange &amp; Luksetich</td>
<td>Journal</td>
<td>1984</td>
<td>-0.49 to -1.26</td>
<td>None</td>
</tr>
<tr>
<td>9 Gapinski</td>
<td>Journal</td>
<td>1986</td>
<td>-0.29</td>
<td>0.06 to 0.27</td>
</tr>
<tr>
<td>10 Pommerehne &amp; Kirchgassner</td>
<td>Journal</td>
<td>1987</td>
<td>-1.22</td>
<td>1.50 to 2.44</td>
</tr>
<tr>
<td>11 Jenkins &amp; Austen Smith</td>
<td>Journal</td>
<td>1987</td>
<td>+1.1 to +2.5</td>
<td>0.26 to 0.54</td>
</tr>
<tr>
<td>12 Greckel &amp; Felton</td>
<td>Article</td>
<td>1987</td>
<td>-0.34 to -2.33</td>
<td>6.13</td>
</tr>
<tr>
<td>13 Felton</td>
<td>Journal</td>
<td>1989</td>
<td>-0.64 to 1.62</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Authors</td>
<td>Type</td>
<td>Year</td>
<td>Effect Size</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------</td>
<td>----------</td>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>14</td>
<td>Carson &amp; Mobilia</td>
<td>Journal</td>
<td>1989</td>
<td>-0.38</td>
</tr>
<tr>
<td>15</td>
<td>Bonato, Gagliardi &amp; Gorelli</td>
<td>Journal</td>
<td>1990</td>
<td>-0.38</td>
</tr>
<tr>
<td>16</td>
<td>Throsby</td>
<td>Journal</td>
<td>1990</td>
<td>-0.41</td>
</tr>
<tr>
<td>17</td>
<td>Oteri &amp; Trimarchi</td>
<td>Article</td>
<td>1990</td>
<td>Not significant</td>
</tr>
<tr>
<td>18</td>
<td>Felton</td>
<td>Journal</td>
<td>1992</td>
<td>-0.13 to -0.95</td>
</tr>
<tr>
<td>19</td>
<td>Abbe Decarroux</td>
<td>Journal</td>
<td>1994</td>
<td>-0.31</td>
</tr>
<tr>
<td>20</td>
<td>Felton</td>
<td>Journal</td>
<td>1994</td>
<td>-0.85</td>
</tr>
<tr>
<td>21</td>
<td>Luksetich &amp; Lange</td>
<td>Journal</td>
<td>1995</td>
<td>-0.16 to -0.42</td>
</tr>
<tr>
<td>22</td>
<td>Krebs &amp; Pommerehne</td>
<td>Journal</td>
<td>1995</td>
<td>-2.6</td>
</tr>
<tr>
<td>23</td>
<td>Levy Garboua &amp; Montmarquette</td>
<td>Journal</td>
<td>1996</td>
<td>-1.00 to -1.47</td>
</tr>
<tr>
<td>24</td>
<td>Schimmelpfennig</td>
<td>Article</td>
<td>1997</td>
<td>-1.34 to -5.56</td>
</tr>
<tr>
<td>25</td>
<td>Ekelund &amp; Ritenour</td>
<td>Journal</td>
<td>1999</td>
<td>Inelastic</td>
</tr>
<tr>
<td>26</td>
<td>Forrest, Grimes &amp; Woods</td>
<td>Book</td>
<td>2000</td>
<td>-1.24</td>
</tr>
<tr>
<td>27</td>
<td>Corning &amp; Levy</td>
<td>Journal</td>
<td>2002</td>
<td>-0.05 to -4.87</td>
</tr>
</tbody>
</table>
these results affirm a view of performing arts as an acquired luxury taste, time-intensive in consumption.

According to those previous studies, the arts do indeed have lower price elasticity than other goods and services when properly evaluated at comparable prices. It is something inherent in the performing arts that yield very low price elasticity, factors that contribute to this low price elasticity include: substitution possibilities; budget share; direction of income effect; time.

**Income elasticity**

Economists divide consumer goods into necessities, normal goods and luxuries. This subdivision is related to the sensitivity of consumption to changes in consumer income. One way of measuring the sensitivity to income is by the estimation and use of income elasticity (Åke E. Andersson & David E. Andersson, 2006).

As showed in table 3, Glen A. Withers (1980) used data of demand for performing arts services in United States from 1929 to 1973. The income variable in the model was taken to be personal disposable income (PDI) per capita. The author found that changes in per capita disposable income have produced significant positive and approximately proportionate, increases in attendance rates. Gapinski (1984) studied the production and demand functions for the Royal Shakespeare Company, and found statistically significant income elasticity above one. Pommerehne & Kirchgassner (1987) found income elasticity greater than 1.0 in German theatre for both average- and high-income consumers, but with higher-income people having lower income elasticity than do average-income. Greckel & Felton (1987) derived a statistically significant income elasticity of 6.13 in their second demand equation for the Louisville Orchestra, while their other orchestra income elasticity of 2.66, and a 2.26 estimate for Bach Society were not statistically significant. Abbe-Decarroux & Grin (1992) studied individual Swiss arts organizations, and estimated legit models that included pre-tax monthly personal income, but the estimated attendance probability coefficients were quite small. In 1992, Felton found income elasticity of either less than one or about one for two largest orchestra groups. Later, Felton (1995) found a higher income elasticity of 1.4 for ‘total attendance group’ versus elasticity of 0.82 for ‘subscriber’ database for US orchestras. Corning & Levy
(2002) found one of the income elasticity for their target theatre company in United States across three geographical venues exceeded one while also being statistically significant.

According to those mixed evidence, the estimating demand at the individual organizational level will reliably result in higher income elasticity compared to more aggregated data. A lot of the economists would believe that the demand for the performing arts would be income elastic. As one of the performing arts, people’s demand for musical increases faster than their income. It could be explained like that if there is an increase in the income, the demand for the performing arts increases faster than income. Of course, life’s necessities include food, clothing, medical care enter the budget first, and the goods such as tickets to the musical theatre or concert, or Rolex, BMW, cannot be considered until income reaches a fairly comfortable level. With the rise of living standards, more consumers start to spend on the arts. Consequently, the demand for the arts grows faster than income; as a result, the income elasticity is greater than 1.0.

4.2 An assessment of the development of musical performance in Shanghai

Although life is full of responsibilities, constraints and disciplines, and a great number of things disagreeable, entertainment, in contrast, stands for activities that people enjoy and look forward to doing, hearing or watching (Harold L. Vogel, 2007). Every year, American consumers cumulatively spend no less than 120 billion hours and more than 200 billion dollars on different forms of entertainment activities, while Chinese people spent approximately 166.7 billion dollars in 2009, according to statistical report of entertainment industry from China’s State Statistical Bureau.

The development of musical performance in China is underway, especially in recent years, when several famous original edition musical theatres have been introduced into Chinese market and have received widespread attention. Meanwhile, Chinese versions of classical musical theatres and original musical theatres made in China have also made great progress. However, the expansion of musical theatre is still not proportional to GDP growth. According to National Bureau of Statistics of China, there was a 9.2% growth of GDP in 2009, when there was less than 0.9% growth of musical industry in China.
In Shanghai, as Shanghai Grand Theatre (SGT) is the only theatre that supplies musical performance, the assessment of the current supply of musical performance in Shanghai will be the study of Shanghai Grand Theatre, according to Shanghai Grand Theatre’s annual report (2009). Between 2008 and 2009, there have been 665 performances in Shanghai Grand Theatre, 182 at the Lyric Theatre, 225 at the Drama Theatre and 258 at the Studio Theatre. Among them, 130 are SGT Presents Performances and 535 are Hirer’s Performances (performances hold by performing groups who hire the theatre from SGT). The revenues in the 2008—09 Season total is 77.9035 million Chinese Yuan, consisting of operating revenues at 61.851 million—80% of the total and non-operating revenues at 16.0525 million—20% of the total. Within the operating revenues, SGT Presents Performances at the Lyric Theatre account for 65% of the revenues of the Lyric Theatre, while the Hirers’ Performances account for 35%.

Comparing with the 2007-08 Season, SGT has an increase in the number of performances in the 2008-09 Season, and as described in figure 4.1 more performances had been held in almost every month, except January, which means that there was a growing supply of the live performances. And from figure 4.2, we can find that there were more performances have been held by Shanghai Grand Theatre in most of the months in the 2008-09 Season than in the 2007-08 Season.

![Figure 4.1 Comparisons of monthly performances in the 2008-09 Season and the 2007-08 Season of Shanghai Grand Theatre (The total number of performances in 2008-09 season is 665).](image-url)
In the 2008-09 Season, there were 29 performances of musical. As described by figure 4.3, musical performance accounts for 41% of the total number of performances, while concert accounts for 34%, opera 6% and Dance 19%. As far as musical is concerned,
the Disney musical High School Musical ran for 24 times (2008-6-30~7-19), and another two Chinese local original musicals operated 5 performances. The introduction of foreign classic musicals is still the main trend of the development of musical industry in China; the demand of local original musicals is very little.

Besides the performances held by Shanghai Grand Theatre, there have been 535 Hirers’ Performances at the three theatres in SGT in the 2008-09 Season, up by 21% over last year’s 442 performances. They account for 81% of the total 665 performances, up by 3% over the previous year.

In conclusion, the supply of the performing arts performances in Shanghai is increasing, as musical theatre accounted for 41% of the total performances which was the highest at the same time in 2008-09 season in Shanghai Grand Theatre, the supply of musical theatre had a big increase between 2008 and 2009. Since the government has promised to strengthen efforts to protect IPR, facilitate entry into the cultural market, broaden the channels of investment, and establish more policies to promote the development of cultural industry which includes musical theatre, the supply of musical performances will increase in the future.

4.3 Factors affect the demand for musical performance in Shanghai

Although the potential widespread appeal of musicals, there are several educational and financial constraints, as well as competition from substitutes like films and KTV (especially in China) that limit the size and scope of the audience.

Based on the literature review in the second part and Meta analysis of the previous studies of the performing arts above, the general factors that influencing the demand for performing arts have been listed in the second part. In the following part, the thesis will subsequently present how factors which have been studied in literature analysis such as education and income affect the demand for musical performance in Shanghai.

4.3.1 Education

According to previous literatures, in general, education is an extremely significant factor that affects the demand for musical theatre. Figure 4.4 describes audience group categories of musical theatre in Shanghai Grand Theatre. Based on the statistics from Na-
tional Bureau of Statistics of China, there is a growing number of art workers in China, from the figure 4.4, we find that art workers is the largest audience group for musical, accounting for 36%; employers account for 18.90% of the total audience, and government officers (ordinary staffs) take up 22.30%. Students and other audience groups together account for 23% of the attendance.

<table>
<thead>
<tr>
<th>Audience group categories</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Art workers</td>
<td>36%</td>
</tr>
<tr>
<td>Government officers</td>
<td>22%</td>
</tr>
<tr>
<td>Company employers</td>
<td>19%</td>
</tr>
<tr>
<td>Students</td>
<td>11%</td>
</tr>
<tr>
<td>Others</td>
<td>12%</td>
</tr>
</tbody>
</table>

Since education is a very important factor that affects the demand for performing arts, analyzing the educational background of these audience groups is helpful to explain how education affects people’s attendance of musical, as musical is one of the performing arts. Comparing these audience groups, art workers have an art related educational attainment. There is not a big difference between the attendance of government officers and company employers, government officers have a little higher rate of watching musical. In China, to become a government officer a person needs a better education background than to be a company officer. A government officer requires at least a bachelor degree, while for most people who want to work in companies often has a further educational background (Huang Shitong, 2009). In conclusion, as described by figure 4.4, people with a higher educational attainment in China have a higher rate of musical attendance, and among people with higher educational background, who have art related educational background also have the largest demand for musical performance.
4.3.2 Income

Attendance at musical normally requires a relatively large allocation of time and entails substantial expenditures on tickets, and on complement goods such as the cost of transportation. Vickerman (1975) studied the exact location of leisure facilities in cities, which he claims is important for costs and revenues. The situation could be worse in China, take Shanghai for example. The average monthly consumption expenditure of people in Shanghai is 2500 Chinese Yuan; the average cost of foreign original musicals is 380 Chinese Yuan. Therefore, the ticket price of a musical accounts for 15.2% of monthly consumption expenditure; this explains part of why musical could not spread over China as it is in American and European cities, and even in big cities like Shanghai and Beijing musical could not be as popular as it is in big cities in Europe and America. The audience average answer to the question of the interview do you think the ticker price of the performances held by SGT is expensive is 5, which indicates that it is relatively expensive for these interviewees. Another factor that needs attention is that most of these interviewees are comparatively rich people, as the author could easily know from the talk with them. Therefore, for the average consumer, they might consider the ticker price as even more expensive. And here we do not take the expenditure on incidentals into considerations, so the actual cost of attendance of a musical could be higher.

Assume that the average monthly consumption expenditure an individual in Shanghai is 2900 Chinese Yuan, he wants to watch the musical High School Musical, and the ticket price is set as 180/280/380/480/580/680 Chinese Yuan, so the average price is 430 Chinese Yuan. He will go to Shanghai Grand Theatre by bus; the cost of a round trip ticket is 4 Chinese Yuan. If he chooses to eat outside, for example in McDonald’s, he has to spend another 28 Chinese Yuan for a normal meal. At last, the expenditure on an attendance of a musical is 462 Chinese Yuan, which accounts for 15.93% of his monthly consumption expenditure. Next we take London as another example to compare, the ticket price of West End musical Billy Elliot: The Musical ticker is set between £19.50 and £65 in 2009, so the average cost will be £42.25. According to the report from Oxford Brookes University, the average monthly expenditure is £906. As a result, the cost of attend a musical in London accounts for 4.66% of the average monthly expenditure.
Comparing it with 15.93% in Shanghai, it is not difficult to arrive at a conclusion that attending a musical is relatively expensive for most people in Shanghai and in China. Based on meta analysis, according to mixed evidence, the estimating demand at the individual organizational level will reliably result in higher income elasticity compared to more aggregated data, as income grows, the demand for musical will also increase (Victor Ginsburgh & C. D. Throsby, 2006).

4.3.3 Competition among forms of entertainment activities

Table 4 describes the performances categories of Shanghai Grand Theatre, and the attendance rates of these performances of various audience groups in the 2008-09 Season, as the audience who have been surveyed may prefer more than one kind of performances, so the total percentage of one audience group may larger than one hundred percent. If we compare opera with musical, we can find that except employers group, art workers, government officers, retirees, students and other kinds of audience all prefer to opera than musical, especially retirees, most of this group of audience will choose to watch opera when compare to musical. Here we want to point out that, China has its own traditional operas with a long history, which have been introduced and analyzed in the second chapter, so it is not strange that opera accounts for considerable market shares. When comparing dance with musical, only employers’ group has a higher attendance rate of musical theatre, all other audience groups have a much larger demand for dance. As showed in table 4, concert takes up the biggest market of every audience group. It seems that it is a fashion to attend a concert now in China, especially for rich people and government officers in Shanghai, Beijing and other big cities, therefore, many people just want to catch the trend. At the same time, many young people consider attending a concert as a great dating activity.

Besides these entertainment activities listed in table 4, film and KTV (Karaoke has been introduced into China from Japan) are also very strong and powerful competitors to musical. According to previous research and reports from Chinese government, nowadays in China, many people, especially young people, prefer to watch movies or go to KTV with friends than to musical, drama and other performing arts. Based on the study of previous literature in the second part, taste could be an important reason to explain
this phenomenon, as many people’s chance of experiencing most performing arts in China is very rare and limited.

Table 4: The attendance rates of performances in SGT of different audience groups in the 2008-09 Season (statistical date collected by Shanghai Grand Theatre from the audience in the 2008-09 Season)

<table>
<thead>
<tr>
<th></th>
<th>Art workers</th>
<th>Government officers</th>
<th>Employers</th>
<th>Retirees</th>
<th>Students</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Drama</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.29%</td>
<td>0.00%</td>
<td>2.27%</td>
<td>1.44%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>7.32%</td>
<td>1.86%</td>
<td>2.59%</td>
<td>9.42%</td>
<td>0.00%</td>
<td>1.44%</td>
</tr>
<tr>
<td>Evening Party</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Musical</td>
<td>10.98%</td>
<td>11.80%</td>
<td>27.38%</td>
<td>4.35%</td>
<td>13.64%</td>
<td>21.58%</td>
</tr>
<tr>
<td>Opera</td>
<td>26.83%</td>
<td>16.15%</td>
<td>23.05%</td>
<td>21.74%</td>
<td>25.00%</td>
<td>23.74%</td>
</tr>
<tr>
<td>Dance</td>
<td>41.46%</td>
<td>21.12%</td>
<td>23.34%</td>
<td>28.99%</td>
<td>44.32%</td>
<td>30.22%</td>
</tr>
<tr>
<td>Concert</td>
<td>60.98%</td>
<td>62.73%</td>
<td>55.04%</td>
<td>52.17%</td>
<td>36.36%</td>
<td>56.12%</td>
</tr>
</tbody>
</table>

As far as the film industry is concerned, after the continuous introduction of foreign great movies from Hollywood, Disney and European countries, film is gradually becoming more and more popular in China. Meanwhile, in the past few years, the production of Chinese movies is also increasing not only in quantity, but also in quality. Many Chinese movies with good quality have been made in recent years, and they were all warmly welcomed by audience. Nowadays, there is a great number of audiences that would like to enter cinemas and spend their leisure time on watching movies.

Since the late 1980s, Karaoke has been introduced into China from Japan with a given new name of KTV, and as a good way to relax oneself, have fun with friends, and make new friends; it is becoming more and more popular in China. Nowadays, in any capital city of different Chinese provinces, there are hundreds of KTV clubs, especially in big
cities such as Shanghai, Beijing, and Guangzhou. In a lot of second and third line cities and even towns, a great number of new KTV clubs are merging one by one.

Consider the market for musicals in Shanghai. The volume of entertainment may grow in proportion to income expansion, which will be a slow growth. For a faster increase, the musical performances have to replace demand for other forms of public entertainment. Which entertainment activities can be expected to lose market shares to give room for an increasing share of musicals? Base on the analysis of the competition between different entertainment activities in Shanghai, the thesis will give a brief prediction about the competition of market shares.

Among those entertainment activities, film and KTV are two powerful competitors, considering about the current situation of the demand for those activities, it is very difficult for musical theatres to compete with them for audiences. So it is easier for musical plays to replace demand for the same type of performances, which means the live performances. From table 4, we can see that employers’ demand for musical is higher than dance and opera. If the operators of musical theatres could increase the supply of musicals by introducing or producing more musical plays with higher quality (like High School Musical from Disney), and establish successful marketing strategy to attract the interest of other audiences’ groups. Entertainment activities include opera; dance and concert may lose some market shares to give room for an increasing demand for musicals.
5 Conclusion

In this section, conclusions drawn from the descriptive and statistical analysis are presented.

The performing arts operate under somewhat different economic conditions than the other entertainment industries (Harold L. Vogel, 2007). The whole thesis is a study of the current situation of the development of musical performances in Shanghai, and at the same time, the thesis investigates various factors that affect the demand for musical performances in Shanghai and how these factors affect the development of musical theatres in Shanghai.

Based on the data collected from Shanghai Grand Theatre, in the 2008-09 Season, there were 29 performances of musical, which accounts for 41% of the total number of performances held by SGT, while concert accounts for 34%, opera 6% and Dance 19%. As far as musical is concerned, the Disney musical High School Musical ran 24 times (2008-6-30~7-19), and another two Chinese local original musicals operated 5 performances. As a result, we can know that the introduction of foreign classic musicals is still the main trend of the development of musical industry in China; the supply of local original musicals is very little. According to the analysis of the statistics in the empirical findings chapter, when we compare musical theatre with other forms of entertainment activities such as film and KTV, the market share of musical is still very small, only a small group of people prefer to spend their leisure time on musical. However, according to mixed literature review and Meta analysis of previous studies, the estimation of demand for musical performances at the individual organizational level will reliably result in higher income elasticity, with the annual income growth in China, the demand for musical will increase at the same time.

Like musical performances in other countries like US and UK, competition among different forms of entertainment activities, educational attainment, taste and income are general factors that affect the audience’s demand for musical theatre in China. In Shanghai, different people prefer different entertainment activities like film, concert, KTV and musical plays. However, by analyzing different audience’s educational backgrounds, people with higher educational backgrounds have higher propensity to attend musical performances, and in addition, people who have art related educational
achievement have the highest demand for musical performances. Taste, as studied by previous literatures, also has a positive effect on people’s demand for different entertainment activities, and it could be cultivated through the exposure to entertainment activities, and the whole process could be regarded as a learning process and habit formation. When it comes to income, in any country and city, income is considered as one of the most significant factors that affect people’s demand for musical performance. And it is even more important in China, because the ticket price of musical is relatively high when comparing it to people’s monthly expenditure, even in big cities like Shanghai. Here, the thesis wants to point out the interesting finding that although previous studies found that education seems to have a stronger affect than income, it is not obviously correct when it comes to China, as the attendance cost of musical performance accounts for a larger part of people’s monthly expenditure in China than in America and European countries, income may affect people’s demand for musicals to a great extent. Competitions among various forms of entertainment activities also exist in any country and any city. In China, film, KTV and other live performances like concert are powerful competitors, especially film and KTV, which are two most popular entertainment activities recently in China. As a result, in order to increase the demand for musical theatres, it is easier for musicals to compete with other live performances including dance and opera for audience’s time and money by helping people to form a habit of attending musical performances through learning process and increasing the supply of musicals with high quality and establishing successful marketing strategy. At the same time, as the cultural organizations, performing arts operators and Chinese government are spending a lot of time and effort to develop the musical industry, there is a potential widespread and increasing in the demand for the musical in big cities in China in the following years.
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