Final Report

Consultancy Study on Market Analysis of the Museum and the Exhibition Centre of the West Kowloon Cultural District

Prepared for

West Kowloon Cultural District Authority Hong Kong

Submitted by

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates, an AECOM company, ("ERA AECOM") and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by ERA AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with West Kowloon Cultural District Authority (the "Client") and the Client's representatives. ERA AECOM assumes no responsibility for inaccuracies in information provided by the Client, the Client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of May 2, 2010 and ERA AECOM has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by ERA AECOM that any of the projected values or results contained in this study will actually be achieved, whether or not such future events and circumstances occur.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

I. Introduction

The West Kowloon Cultural District is a major development project planned to provide the necessary infrastructure for future growth of arts, culture, and the creative industry in Hong Kong. The Cultural District is a long-term investment strategy that will dramatically transform the cultural offerings of Hong Kong, at a time when several major cities in China are planning for major new art institutions. The concentration of world-class cultural facilities proposed for the District will assist Hong Kong in becoming a leader in contemporary cultural arts within the Asian Pacific region.

Two of the major institutions proposed are: 1) a facility with a museum function temporarily called "M+"; and 2) an Exhibition Centre (EC) that will focus on events and meetings for the creative industry. At present, M+ is broadly defined and expected to focus on contemporary visual culture in areas of visual arts, popular culture, moving image, and design. The Consultative Committee (CC) has already conducted preliminary studies related to the scale and concept for M+ and the Exhibition Centre. At this stage in the planning process, there is a need to focus the planning to identify market potential and specific market opportunities for these two facilities to help guide future decisions about physical parameters, content, and market positioning and marketing strategies.

In order to assist with planning, the West Kowloon Cultural District retained a team led by ERA AECOM, an AECOM Company, to conduct market analysis for the proposed M+ and Exhibition Centre facilities. The purpose of the ERA AECOM team's work is as follows:

- To project future attendance potential at M+ and utilization at the Exhibition Centre (EC) in order to provide guidance related to size, scale, and phasing for the two institutions.
- Suggest marketing strategies for these two institutions.

The ERA AECOM work will be used as input for the Conceptual Plan Consultant teams.

Scope of Work

This study is broadly divided into two major components: data collection and data analysis. The data collection effort includes identification, quantification, and projection of available markets, case studies of comparable facilities, research on existing and future planned competitive facilities, and the collection of public input related to interest in the four broad themes of the Museum. The data analysis component of this study focuses on using the market research to better understand the project's strength, opportunities, and challenges; to project future growth of market segments and museum and exhibition centre attendance/usage by target market; to recommend the best strategic positioning of the museum and exhibition centre; and to assess implications on physical planning, programming, and marketing strategies.

Specifically, the ERA AECOM team conducted the following tasks:

- Met with the Museum Committee and members of the former Museum Advisory Group to understand the project concept.
- Reviewed all major documents prepared to date related to the West Kowloon Cultural District, M+, and the EC.
- Visited the West Kowloon Cultural District site and met with WKCDA planning staff to understand current plans, site opportunities, and challenges.
- Conducted secondary research related to resident and visitor markets, including historic growth, size, composition, and key demographics, as well as projections for future growth.

- Projected growth in resident and visitor markets by submarket through 2030.
- Performed primary consumer research in key source markets for M+, including the local Hong Kong resident market, several locations in China, and from other overseas visitors.
- Interviewed target user groups and key stakeholders for the proposed EC.
- Met with and reviewed data from comparable or competitive facilities in the local market.
- Conducted detailed case studies of numerous museums and exhibition centres internationally, including facilities located in Asia, Europe, North America, and Australia.
- Interviewed marketing staff from major attractions and cultural facilities in Hong Kong.
- Developed and analyzed strategic benchmarks and ratios from our research, and based on these, projected attendance for M+ from opening year to 2030.
- Based upon our interviews and other research, proposed three models for the EC, strategic positioning recommendations, and projected likely utilization for the proposed facility.
- Developed physical planning parameters and recommendations for the two facilities.
- Prepared an overall marketing strategy and approach for M+ and the EC.

Project Team

The ERA AECOM team for this assignment includes three sub consultants, listed below:

- ***The Nielsen Company*** was responsible for conducting the primary consumer research in Hong Kong and China.
- ***Verner Johnson and Associates*** assisted ERA AECOM with physical planning strategies and parameters.
- ***Management Resources*** developed the marketing strategy and recommendations for M+.

The ERA AECOM work was conducted jointly from ERA AECOM's Hong Kong, San Francisco, and London offices.

Report Outline

This report is divided into nine sections. Immediately following this Introduction in Section II, we review the project concept and present our SWOT (strengths, weaknesses, opportunities, threats) analysis for the project site. Section III includes a summary of available markets, and Section IV supplements this with data from the consumer research. In Section V, we discuss comparable and/or competitive facilities in the local market, and Section VI summarizes our research on international comparable facilities. In Section VII, we project likely attendance scenarios for M+, and Section VIII includes our analysis and utilization estimate for the Exhibition Centre. Finally, Section IX includes the implications of attendance analysis on physical planning and marketing.

II. Concept Overview and Site Analysis

The defining characteristics of any cultural facility, such as size and nature of collection, types of exhibitions and programs, and scale and design of the building, all play an important role in attracting visitors and impact likely attendance. A clear understanding of the project concept is essential for projecting attendance for any cultural attraction. The site location and characteristics also significantly impact likely attendance. In this section, ERA AECOM presents an overview of the concept for M+ and the EC as well as a SWOT analysis for the project site.

Concept Overview

Below we have summarized our understanding of the M+ and EC concepts to date. It is important to note that both concepts are still preliminary and fairly broad. The M+ concept has been intentionally designed to be flexible enough to allow future museum management and curatorial staff to have control over exhibitions and programming. The EC concept is extremely preliminary and has not been well developed. Given this, below we identify the key characteristics that are known, as well as some factors which are not known which can affect attendance.

M+ Concept

M+ is proposed to be a world-class institution dedicated to 20th and 21st century visual culture from the Hong Kong perspective. It is envisioned as eventually taking its place among many of the most famous modern and contemporary art museums in the world.

- M+ stands for “Museum Plus.” The idea of the “plus” recognizes that the roles of museums are changing rapidly and are not only a place to conserve, research, and exhibit, but also to engage, communicate, delight, and inspire for purposes of research, education, appreciation, and enjoyment. M+ is expected to have an active public engagement component through programming and more.
- Visual culture has been defined for M+ as initially including 4 major themes:
  - Design
  - Moving image
  - Popular culture
  - Visual art (including ink art)
- M+ is envisioned to have signature iconic architecture designed by a world famous architect.
- M+ is proposed to include exhibits, programs, education center, and a library/research center. In addition, there will be frequent visiting/temporary exhibits.
- It is also proposed to be interactive and engaging with a cultural and educational focus as well as an entertaining place where people can have fun.
- M+ is envisioned to stay current and up to date, continually refreshing and providing fresh programs and exhibitions.
- The collection strategy (content) would begin in Hong Kong before expanding outward to other regions of China, then into the wider Asia region and finally to include perspectives from the rest of the world.
- The preliminary size described in concept documents is expansive, with 26,000 SM of exhibit area at build out (16,000 in first phase) and GFA of 43,365 SM initially, growing to 61,950 SM in second phase. An additional 16,800 SM for storage and conservation will be provided off-site in the first phase. For our purposes, we assume that the size will be large enough in scale to easily able to attract visitors as a major cultural attraction in Hong Kong and to provide for a comfortable and free flowing visitor experience. However, we also assume that the facility is

not too large, as museums that are too large for their attendance can have a negative impact on visitation. We assume that it will be appropriately sized.

Analysis of M+ Concept

ERA AECOM identified several characteristics related to the concept which are likely to be both advantages and disadvantages for likely attendance, summarized below:

Advantages

- Large scale, critical mass will not limit visitation.
- World-famous architect with iconic design will help attract people to the facility.
- Large campus environment with café/restaurant, retail, etc.
- The “+” in M+ is a new model for Hong Kong that may help engage the community over time.
- New subject matter will appeal to a younger audience.
- Flexibility in themes allows for many opportunities to change programming.
- Inclusion of moving image, fashion, pop culture, etc. in themes will lead to wider appeal (beyond art fans).
- Chinese contemporary art is popular worldwide.
- Not having a large collection initially may provide for opportunities in innovation and with guest curators and may allow for a more dynamic institution.
- Ability to design for and execute temporary exhibits.

Disadvantages

- It will take time to assemble a collection, and may be difficult if government is involved in management.
- The four topics are currently represented to some extent in existing Hong Kong museums through special exhibits. Overlap will need to be addressed.
- Local market interest in these topics as museum exhibitions may be limited.
- Breadth of the concept is difficult to communicate, and “visual culture” is not a common term, so people will not know what to expect.
- The four themes, while broad, are still niche categories.
- The ultimate “product” is largely unknown now, as it will be left up to the curators and museum management.

Exhibition Centre (EC) Concept

The EC has received much less attention to date from the arts community in Hong Kong than the M+ has. Early on in the planning process there was recognition that some sort of flexible exhibition space would be a good adjunct to the museum related offering of the M+ for West Kowloon. At one point a facility of 5,000 square meters was considered, but as plans evolved the size was doubled to 10,000 square meters to reserve a larger space within the WKCD. The presumption is that the 10,000-square-meter size is intended to refer to a net usable amount of space, or “Net Operating Floor Area.” In one of the planning documents there was also a statement that “the EC should be self-contained with a maximum of two storeys,” which again presumably refers to the net operating floor area. In order to create 10,000 square meters of net usable exhibition area, there will obviously need to be some additional building area devoted to an entrance lobby, restrooms, administrative offices, storage, service corridors, and other back of house functions. No size allocations have been made for these components of the EC so far. Perhaps the entrance and/or some of the support spaces could be on additional levels beyond the two storeys.

In the consultant Request for Proposal, the mission and key functions of the EC were described as:

> *"With the establishment of the Exhibition Center, major art, culture and creative industries related events like art festivals auctions, design shows, conferences etc., as well as a mixture of different uses (some of which could be beyond traditional forms) could be held frequently to enhance the attraction of WKCD . . . . the EC to give priority to uses for the arts, culture, creative industries and events / activities related to WKCD, e.g., banquets and pre-performance drinks related to performances or events to strengthen the overall image of WKCD and its synergy with other facilities in the district." (MAG report)*
>
> *The EC should give priority to uses relating to arts, culture, creative industries and events / activities related to WKCD. The EC should aim to be run on a self-financing basis with its management overseen by an independent body." (CC Report)*

Beyond the statement above, the types of user groups to be accommodated by the usable space in the EC have never been defined more specifically in the planning process. The presumption is that the utilization of the facility should somehow enhance the arts and cultural theme of the district, but it appears clear that arts events will have priority but need not be the only users of the space. It is also possible that a way in which the EC could "strengthen the overall image of WKCD and its synergy with other facilities in the district" would be by attracting people to the district that in turn become patrons and consumers of the arts and cultural offerings in the area. With a sufficiently flexible usable 10,000 square meters, there could be room and dates available for arts, culture, and creative industries user groups, and also user groups that attract potential arts patrons.

There has been some direction given regarding the business model for the EC. The intention is that the EC should run on a self-financing basis within the district, unlike the M+ which is expected to require an ongoing subsidy from the Hong Kong government. Beyond operating on a self-financing basis, however, it is unclear if the EC should be expected to be self-financing for its initial development costs as well. The revenue producing goal for the EC opens up the possibility that the private development partners in the WKCD may be able to help fund some of the development cost of the EC in return for a share of the operating profit that could be generated, but some government subsidy may still be required to bridge any gap.

Site Overview and Analysis

M+ and the Exhibition Centre are proposed to be located within the West Kowloon Cultural District, a major development project planned to provide the necessary infrastructure for future growth of arts, culture, and the creative industry in Hong Kong. The Cultural District is a long-term investment strategy that will dramatically transform the cultural offerings of Hong Kong, at a time when several major cities in China are planning for major new art institutions. The concentration of world-class cultural facilities proposed for the District will assist Hong Kong in becoming a leader in contemporary cultural arts within the Asian Pacific region.

The West Kowloon Cultural District is located in Kowloon on the waterfront, with excellent views to and from Hong Kong Island. A site map that highlights key characteristics is shown in **Figure 1**.

Figure 1: Site Map

ERA has conducted a SWOT (strengths, weaknesses, opportunities, and threats) analysis for the West Kowloon Cultural District site. It should be noted that the exact location of M+ and the EC within the Cultural District have not yet been identified. The exact location could affect the following analysis.

Strengths and Opportunities

- The site is a waterfront property with excellent views to Hong Kong Island.
- The site offers a unique opportunity to create a signature, iconic building on the Kowloon waterfront that will have high visibility from Hong Kong Island.
- The site will have excellent access to the new High Speed Rail and MTR.
- Its location within a cultural district will help provide critical mass for both identification and marketing.
- There are likely to be synergies with adjacent cultural, retail, and restaurant uses.
- There is sufficient space to create a large iconic building and campus.
- The site is well positioned in Kowloon, which is accessible to all parts of Hong Kong, located between Hong Kong Island and New Territories.
- Mainland Chinese visitors anecdotally prefer to stay in Kowloon hotels, and they are a large and growing segment of the visitor market.
- There is a significant inventory of hotel rooms in TST, and a growing number of hotel rooms in West Kowloon, that could work synergistically with conference and meeting type events in the EC.

- The potential for a location near the waterfront, with views of the Hong Kong Island skyline, in a setting with generous open space, yet close to hotels, restaurants and shopping, could make the EC an attractive facility for conferences catering to an international audience.

Site Weaknesses

- Timing of future developments is unclear.
- Construction impact during build-out of other facilities could impact attendance.
- Public transportation to the site is still to be developed.
- The exact location on the site for M+ and the EC are unknown. Depending on the specific site, access to public transit may not be efficient.
- There is currently no ferry access from Central or Wanchai planned, which would be an efficient means for people on Hong Kong Island to access the site.
- There may be a bias of Hong Kong Island residents against visiting Kowloon.
- Depending on location of site, they may not have waterfront access or view.
- For some arts-related auctions and fairs that have attracted an affluent international patronage, Central specifically, and Hong Kong Island in general, have been seen as the most desirable location. The Kowloon side of the harbor has been perceived by these people as less desirable, and an EC there may struggle to attract the affluent patronage.

III. Summary of Available Markets

This section presents an overview of the available resident and visitor markets for the proposed Museum (M+) and Exhibition Center (EC) of the West Kowloon Cultural District in Hong Kong. This analysis is based on detailed research of the demographic and socio-economic characteristics of available markets through primary research, secondary sources and interviews. The market analysis also includes an overview of forecasted population and visitor market arrivals as the basis for the attendance forecasts for M+ at the West Kowloon Cultural District.

Market Approach for M+ and EC of the West Kowloon Cultural District in Hong Kong

Much of the potential success of any attraction including museums and cultural facilities, among other factors, is the function of the markets available to serve it, as well as the relative drawing power and level of investment of the proposed development. ERA AECOM envisions the M+ and EC of the West Kowloon Cultural District to be a world-class cultural institution in the Hong Kong region and to draw from the resident market, but also have significant visitor market appeal due to its reputation in the region as well as the high-profile location on the Kowloon Peninsula.

Available markets for M+ and EC will consist of residents in the greater Hong Kong market, and visitor markets including day-trip and overnight visitors, each divided into two sub-markets. Key findings regarding these markets are outlined and summarized below which include historic and projected market sizes between 2014 (the assumed opening year) up to 2030.

Key data sources we have reviewed for the resident and visitor markets are summarized as follows:

- Resident Market
  - Hong Kong Census and Statistics Department
  - Hong Kong Education Bureau
- Visitor Market
  - Hong Kong Tourism Board
  - Hong Kong Tourism Commission
  - Pacific Asia Travel Association (PATA)
  - World Tourism Organization (WTO)
  - Hong Kong Immigration Department
  - National Tourism Organizations of respective countries

Hong Kong Resident Market

Resident markets encompass the local and regional population within a defined range of the project site. In general, the further away the residents live, the lower the propensity is that they will visit the site. The scale of the facility, length of stay, competitive influences, access conditions, and physical, natural, and political geographic boundaries affect the size of the trade area. ERA AECOM defines the entire Hong Kong population, with residents in Hong Kong Island, Kowloon, and the New Territories as the resident market. The section below describes briefly Hong Kong's population, demographic characteristics, and spending and leisure activities.

Population by District

The mid-year population estimate of the total population in Hong Kong in 2008 was approximately 7.0 million people, which represents an increase of 1.0 percent from the 1996 population census count. In 2008, approximately 52 percent of Hong Kong's population resided in the New Territories. Kowloon had approximately 29 percent of the population and Hong Kong Island had approximately 19 percent of the population. **Table 1** provides an overview of the total population in Hong Kong and by district.

Table 1: Hong Kong Population by District, 1996 - 2008

	1996	2001	2006	2008
Hong Kong Island	**1,312,637**	**1,335,469**	**1,268,112**	**1,305,900**
Central & Western	259,224	261,884	250,064	264,100
Wan Chai	171,656	167,146	155,196	162,000
Eastern	594,087	616,199	587,690	598,200
Southern	287,670	290,240	275,162	281,700
Kowloon	**1,987,996**	**2,023,979**	**2,019,533**	**2,031,900**
Yau Tsim Mong	260,573	282,020	280,548	296,600
Sham Shui Po	365,927	353,550	365,540	368,300
Kowloon City	378,205	381,352	362,501	362,500
Wong Tai Sin	396,220	444,630	423,521	422,900
Kwun Tong	587,071	562,427	587,423	581,500
New Territories	**2,906,733**	**3,343,046**	**3,573,635**	**3,637,400**
Kwai Tsing	470,726	477,092	523,300	518,500
Tsuen Wan	270,801	275,527	288,728	297,600
Tuen Mun	463,703	488,831	502,035	502,800
Yuen Long	341,030	449,070	534,192	544,000
North	231,907	298,657	280,730	299,800
Tai Po	284,640	310,879	293,542	292,100
Sha Tin	582,993	628,634	607,544	612,100
Sai Kung	197,876	327,689	406,442	417,700
Islands	63,057	86,667	137,122	152,800
Marine	**10,190**	**5,895**	**3,066**	**2,400**
Total	**6,217,556**	**6,708,389**	**6,864,346**	**6,977,700**

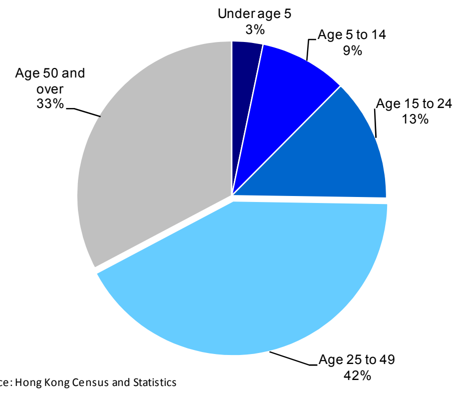
Note: 1996, 2001 and 2006 are census data; 2008 figures are mid–year estimates
Source: Hong Kong Census and Statistics Dept

Demographics

Age and Gender

The following **Table 2** shows the estimated and projected population of Hong Kong by age and gender distribution. According to this data, the majority of the population is between the ages of 25 and 49 (42 percent). Approximately 12 percent of the population is under the age of 15, which comprises a large portion of the school group market. In general, Hong Kong has a greater proportion of residents in the older age ranges, with 33 percent of residents 50 years of age or older. Hong Kong faces an aging of the population. By 2030, it is estimated the population of age 50 years old and above will account for nearly 43 percent of the total population.

Figure 2: Age Distribution in Hong Kong (mid-year 2009 provisional)



Source: Hong Kong Census and Statistics Dept

Table 2: Projected Mid-year Population by Age and Gender, 2009-2030

	2009		2014		2024		2030	
	Male %	Female %	Male %	Female %	Male %	Female %	Male %	Female %
0 - 4 Years	1.7%	1.5%	1.7%	1.7%	1.8%	1.7%	1.6%	1.6%
5 - 9 Years	1.9%	1.8%	2.2%	2.0%	2.2%	2.1%	2.2%	2.1%
10 - 14 Years	2.8%	2.6%	2.1%	2.0%	2.3%	2.2%	2.4%	2.3%
15 - 19 Years	3.2%	3.0%	2.7%	2.6%	2.3%	2.2%	2.4%	2.3%
20 - 24 Years	3.1%	3.3%	3.0%	3.8%	2.0%	2.8%	2.3%	3.1%
25 - 29 Years	3.3%	4.4%	3.1%	4.9%	2.6%	4.3%	2.0%	3.8%
30 - 34 Years	3.2%	4.5%	3.3%	5.0%	2.9%	5.0%	2.5%	4.6%
35 - 39 Years	3.5%	4.8%	3.1%	4.3%	2.9%	5.1%	2.8%	4.8%
40 - 44 Years	3.8%	4.8%	3.2%	4.1%	2.9%	4.5%	2.7%	4.8%
45 - 49 Years	4.6%	5.1%	3.4%	4.2%	2.7%	3.6%	2.8%	4.2%
50 - 54 Years	4.3%	4.4%	4.2%	4.7%	2.8%	3.5%	2.5%	3.4%
55 - 59 Years	3.4%	3.4%	4.1%	4.2%	3.0%	3.7%	2.6%	3.3%
60 - 64 Years	2.4%	2.3%	3.2%	3.3%	3.8%	4.2%	2.7%	3.4%
65 - 69 Years	1.7%	1.5%	2.2%	2.2%	3.5%	3.7%	3.4%	4.0%
70 - 74 Years	1.6%	1.7%	1.4%	1.4%	2.6%	2.9%	3.2%	3.6%
75 - 79 Years	1.4%	1.5%	1.3%	1.5%	1.6%	1.9%	2.2%	2.7%
80 - 84 Years	0.8%	1.1%	0.9%	1.2%	0.9%	1.0%	1.4%	1.8%
85+ Years	0.5%	1.1%	0.6%	1.3%	0.9%	1.6%	0.9%	1.6%
TOTAL	**47.1%**	**52.9%**	**45.8%**	**54.2%**	**43.8%**	**56.2%**	**42.6%**	**57.4%**
Under age 5	1.7%	1.5%	1.7%	1.7%	1.8%	1.7%	1.6%	1.6%
Age 5 to 14	4.7%	4.4%	4.3%	4.0%	4.6%	4.4%	4.6%	4.4%
Age 15 to 24	6.4%	6.3%	5.7%	6.4%	4.4%	5.1%	4.7%	5.4%
Age 25 to 49	18.4%	23.3%	16.1%	22.5%	14.1%	22.5%	12.8%	22.2%
Age 50 and over	16.1%	16.4%	18.0%	19.7%	19.0%	22.5%	18.9%	23.8%

Note: 2009 are provisional figures. 2014-2030 figures projected based on 2006 Population By-Census.

Source: Hong Kong Census and Statistics Dept

Education Attainment

With several well-known universities in Hong Kong, the population in Hong Kong often pursues higher education to seek better job opportunities. Therefore, Hong Kong has a high level of educational attainment. More than half of the residents had secondary education or more in 2008, of which 16.5 percent attained post-secondary degrees (see **Table 3** below).

Table 3: Distribution of Educational Attainment of Population Aged 15 and Over (Percent)

	2003	2007	2008#
No schooling / Pre-primary	7.0%	5.5%	5.4%
Primary	20.2%	18.2%	18.2%
Secondary(1)	46.1%	46.3%	46.3%
Sixth Form(2)	5.3%	5.6%	5.4%
Post-secondary			
Non-degree course	7.8%	8.1%	8.2%
Degree course	13.6%	16.2%	16.5%
TOTAL	**100%**	**100%**	**100%**

Notes : Figures are compiled based on the data obtained from the General Household Survey for the four quarters of the year concerned.

(1) Persons with educational attainment at secondary level refer to those with Secondary 1 to Secondary 5 education or equivalent level.

(2) Persons with educational attainment at sixth form refer to those with Secondary 6 to Secondary 7 education or equivalent level.

Provisional figures.

Source: Education Bureau, Census and Statistics Department

School Groups

School groups often comprise an important part of resident market visitation to museums. As shown in **Table 4**, there were over 1.3 million students in Hong Kong in the academic year 2008/2009.

Table 4: Student Enrolment (1) by Level of Education ('000)

	School year		
Level of education	2003/04	2007/08	2008/09
Kindergarten(2)(3)	136.2	138.4	137.6
Primary(3)	472.9	389.9	369
Secondary(3)(4)	496.0*	513.8*	511.5#
Post-secondary(5)(6)	221.5	308	302.9#
Total	**1,326.6**	**1,350.1**	**1,321.0**

Notes : Figures refer to the beginning of the respective school/academic years. The beginning and ending months of a school/academic year may vary among different different educational and training institutions.

(1) Figures cover both full-time and part-time students attending long programs lasting for at least one school/academic year. Figures do not include students attending adult education /tutorial/vocational courses.

(2) Figures from 2005/06 onw ards include pupils attending kindergarten classes (i.e. nursery, low er and upper classes) in kindergarten-cum-child care centers upon harmonization of pre-primary services in September 2005. Accordingly, they are not directly comparable to figures for earlier years.

(3) Figures include students in special schools registered w ith the Education Bureau.

(4) Apart from day schools and special schools, figures also cover students attending evening schools, craft level courses and programs of the Project Yi Jin.

(5) Figures include students attending universities and colleges offering post-secondary courses including certificate/diploma, associate degree or equivalent and bachelor degree or above; and also non-local registered and exempted academic courses offered jointly by overseas universities and local institutions or organizations.

*6) Starting from 2007/08, figures include students attending other self-financing programs offered by the University Grants Committee (UGC)-funded institutions.

Provisional figures.

* Revised figures.

Source: Education Bureau

During our interviews with local museums, several directors discussed the importance of integrating programming and exhibitions with school curriculum and theorized that the reason the local Hong Kong Museum of Art has not penetrated the resident market as well as other museums is due to the lack of arts curriculum traditionally in the school system.

ERA AECOM interviewed the Hong Kong Education Bureau, Curriculum and Quality Assurance Branch, to better understand trends related to arts curriculum and school trips to museums. Key findings are summarized below as follows:

School Trips to Museums

- School trips to museums are not mandatory for schools, and therefore depends on individual schools whether they are interested in organizing school trips to museums.
- Most schools organize trips to museums frequently (they happen daily), but the Education Bureau does not track the statistics.
- It is easy to organize school trips. If they want to have a guide, then they need to go through the Leisure and Cultural Services Department (LCSD).
- Admission is free for a group of 20 students or more, so there is no cost barrier to organizing school trips to museums.

Art Curriculum

- In the past, art, music and physical education (sports) were considered non-academic subjects and not as important as academic subjects such as language and mathematics.
- However, since the Education Reform in 2000, there is no longer a distinction between academic or non-academic subjects. Art and music now enjoy equal status with all other subjects.
- All subjects are now grouped into eight key learning areas, which include arts education, to emphasize well-rounded and comprehensive exposure and learning.
- The Education Bureau suggests a curriculum framework with a minimum course-time allocation percentage for each learning area/subject. While it is not mandatory, most schools do follow these guidelines. The suggested minimum course-time allocation percentage for arts in primary school education is between 10 and 15 percent; 8 to 10 percent for lower secondary and 5 percent for upper secondary.
- Another indication of the increasing importance of arts education in Hong Kong is that students receive art education throughout all of their secondary education. In the past, students only received arts education through lower secondary level.
- In addition to art classes, schools also provide a diverse variety of activities for students to take part in such as extra-curricular activities, guest performances by art groups, etc. (which the Education Bureau considers part of the 'learning time' of a student) and might also integrate 'arts' into other subjects (e.g. drama in Chinese or English classes)
- The Education Bureau also supports school art education programs organized by LCSD such as "School Culture Day Scheme" and "School Arts Animateur Scheme" on an annual basis, as well as other events organized by NGOs such as the Hong Kong Schools Drama Festival, Music Festival, Speech Day, etc.

Household Income

Hong Kong is a developed society that has some of the highest resident incomes in Asia. Hong Kong residents had a median monthly resident household income of HK$18,000 in 2008 up from HK$17,500 in 2007. Annual median household income was HK$216,000 in 2008 with an annual growth rate of 2.9 percent.

Table 5: Median Monthly Household Income, 2001-2008

	HK$	CAGR#
2001	18,000	
2002	17,000	-5.6%
2003	16,000	-5.9%
2004	16,000	0.0%
2005	16,000	0.0%
2006	17,000	6.3%
2007	17,500	2.9%
2008	18,000	2.9%

Source: Hong Kong Census and Statistics Dept

Compound Annual Grow th Rate

In 2008 the greatest distribution of household income falls in between the monthly income range of HK$10,000-$14,999 at almost 15 percent. **Table 6** outlines the distribution of monthly domestic household income in Hong Kong.

Table 6: Monthly Household Income Distribution, 2008

Monthly Household Income	Annual Household Income	Households	%
Less than 4,000	Less than 48,000	167,400	7.4%
4,000 - 5,999	48,000 - 71,999	127,500	5.6%
6,000 - 7,999	72,000 - 95,999	146,900	6.5%
8,000 - 9,999	96,000 - 119,999	151,500	6.7%
10,000 - 14,999	120,000 - 179,999	337,900	14.8%
15,000 - 19,999	180,000 - 239,999	285,400	12.5%
20,000 - 24,999	240,000 - 299,999	237,000	10.4%
25,000 - 29,999	300,000 - 359,999	168,700	7.4%
30,000 - 34,999	360,000 - 419,999	142,300	6.2%
35,000 - 39,999	420,000 - 479,999	95,000	4.2%
40,000 - 44,999	480,000 - 539,999	79,000	3.5%
45,000 - 49,999	540,000 - 599,999	54,800	2.4%
50,000 - 59,999	600,000 - 719,999	84,000	3.7%
60,000 - 79,999	720,000 - 959,999	89,000	3.9%
80,000 - 99,999	960,000 - 1,199,999	41,400	1.8%
More than 100,000	More than 1,200,000	69,600	3.1%

Source: Hong Kong Census and Statistics Dept

Spending and Leisure Activities

Disposable income is important to attractions, museums, cultural and leisure activities and visitation. **Table 7** below shows a summary of average monthly expenditures on selected products and services. According to the Hong Kong Census and Statistics Department, households in Hong Kong spend, on average, approximately HK$18,884 on various expenditures per month. Hong Kong residents spend the majority of their expenditures on housing and utilities (33.9 percent). In addition, they spend approximately 6.8 percent of household income on recreation and culture.[1]

Table 7: Average Monthly Household Expenditures, Oct 2004- Sep 2005

	HK$	US$	%
Food	4,863	$624	25.8%
Housing	5,775	$741	30.6%
Electricity, gas and water	646	$83	3.4%
Alcoholic drinks and tobacco	152	$20	0.8%
Clothing and footwear	812	$104	4.3%
Durable goods	868	$111	4.6%
Miscellaneous goods	937	$120	5.0%
Transport	1,793	$230	9.5%
Miscellaneous services	3,037	$390	16.1%
TOTAL	**18,884**	**$2,424**	**100.0%**

Source: Hong Kong Census and Statistics Dept

Population Forecasts

The Census and Statistics department has prepared long-range population forecasts up to year 2018. This information indicates the Hong Kong resident market will increase slowly at an annual average rate of between 0.8 percent and 0.9 percent. Based on the Census growth rates and land-based non-institutional population in 2008, ERA AECOM projected the population in the resident market to be

[1] Expenditure data is based on Average Monthly Household Expenditure by Classification of Individual Consumption According to Purpose (COICOP) in the *2004/05 Household Expenditure Survey and the Rebasing of the Consumer Price Indices* published by the Price Statistics Branch, Census and Statistics Department.

approximately 7.3 million, 7.7 million, 8.0 million, and 8.3 million by 2014, 2020, 2025 and 2030 respectively.

Table 8: Projected Population of Hong Kong, 2008-2030

	Population							Average Annual Growth Rate			
	2008	2009	2014	2017	2020	2025	2030	2009 - 2014	2014- 2020	2020 - 2025	2025 - 2030
Hong Kong	6,975,400	7,032,100	7,331,300	7,517,300	7,715,000	8,024,000	8,300,000	0.8%	0.9%	0.8%	0.7%

Note: 2008-2017 resident market figures are Planning Department's mid-year estimates; 2019-2030 figures are ERA AECOM's mid-year estimates based on Planning Department's projections.
Source: Hong Kong Census and Statistics Department, Hong Kong Planning Department, ERA AECOM

Visitor Market

The Hong Kong government has increasingly been promoting Hong Kong as a tourism destination, dedicating more resources and attention to tourism as an important growth sector of the economy. With the continuing relaxation of travel restrictions for visitors from Mainland China and as income levels continue to rise in China, the visitor market to Hong Kong is expected to grow in future years.

The tourism market to Hong Kong will be an important source of visitors to the proposed M+ and EC at the West Kowloon Cultural District. ERA AECOM defined the visitor market as the day-trip visitor market and overnight visitor market to Hong Kong. Both markets are further segmented into Mainland China arrivals and international arrivals. The sub-segments are further divided by purpose of visit including vacation/visiting friends and relatives, business and other segments.

The day-trip market size is based on official data from the Hong Kong Tourism Board and estimates of the business/leisure split amongst same-day in-town visitors to Hong Kong. The overnight market was derived based on data from the Hong Kong Tourism Board, in addition to review of hotel inventory for Hong Kong and occupied hotel room nights.

Based on data from the Hong Kong Hotel Association and Hong Kong Tourism Board, the inventory of hotel/motel rooms in all regions of Hong Kong totaled 60,273 in 2008 with an average occupancy rate of 85 percent. Other key factors such as the number of overnight visitors that stayed in other accommodations, including hostels or friends and family, are also taken into consideration.

Historic Visitation

Hong Kong has historically been a major travel destination. Between 1998 and 2008, visitor arrivals increased at an annual average compounded rate of over 11 percent. There was a major shift in 2003/2004 due to the relaxation of visa restrictions for Mainland China residents in Southern China and subsequently major urban cities such as Beijing and Shanghai.

Visitation in 2008 saw a modest year-on-year growth of 4.7 percent, compared to 11.6 percent year-on-year growth in 2007, as a result of the financial tsunami and global economic slowdown. In 2008, the number of visitors to Hong Kong was approximately 29.5 million, as compared to approximately 10 million in 1998. Travelers from Mainland China comprise the majority of travelers to Hong Kong at 57.1 percent, while travelers from Taiwan and Macau as well as other international tourists account for 7.6 percent, 2.4 percent and 32.9 percent respectively.

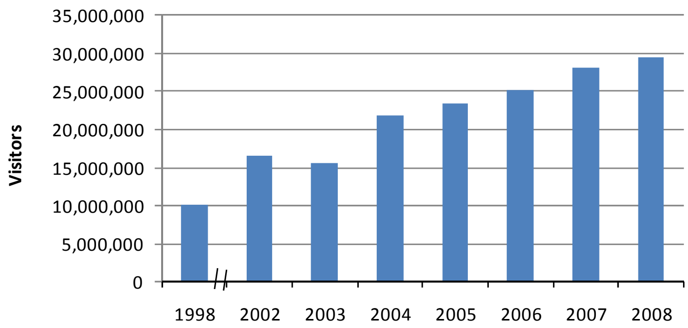
The following table summarizes visitor arrivals to Hong Kong between 1998 and 2008.

Table 9: Total Visitor Arrivals to Hong Kong, 1998-2008

	1998	2002	2003	2004	2005	2006	2007	2008	CAGR 1998-2008
America	1,104,888	1,346,840	925,907	1,399,572	1,565,350	1,630,637	1,783,609	1,684,734	4.3%
Europe, Africa and the Middle East	1,125,956	1,263,115	946,476	1,379,992	1,725,552	1,916,861	2,189,424	2,094,039	6.4%
Australia, New Zealand and South Pacific	358,120	410,196	306,287	483,247	620,217	667,684	756,964	763,206	7.9%
North Asia	1,298,495	1,852,458	1,235,336	1,665,440	1,853,328	2,029,869	2,200,567	2,229,117	5.6%
South and Southeast Asia	1,273,486	1,905,208	1,359,622	2,077,684	2,412,974	2,659,707	2,888,106	2,936,207	8.7%
Mainland China	2,671,628	6,825,199	8,467,211	12,245,862	12,541,400	13,591,342	15,485,789	16,862,003	20.2%
Taiwan	1,885,550	2,428,776	1,852,378	2,074,795	2,130,565	2,177,232	2,238,731	2,240,481	1.7%
Macau	441,523	534,590	443,622	484,038	510,031	577,792	626,103	696,829	4.7%
Total	**10,159,646**	**16,566,382**	**15,536,839**	**21,810,630**	**23,359,417**	**25,251,124**	**28,169,293**	**29,506,616**	**11.3%**

Source: Hong Kong Tourism Board

Figure 3: Total Day-Trip and Overnight Visitors to Hong Kong



From 1998 to 2009, mainland visitors have increased at an impressive rate of 20.2 percent a year as a result of the Individual Visit Scheme (IVS). For the mainland market, there has been strong growth particularly in non-group travel as a result of the Individual Visit Scheme. In recent years, the Beijing government has ended restrictions that prevented individual travelers from visiting Hong Kong. As of October 2009, the IVS has been extended to 49 Mainland cities including the whole Guangdong province, Beijing, Shanghai, Chongqing, Tianjin, and 24 other cities in Jiangsu, Zhejiang, Fujian, Sichuan, Shandong, Liaoning, Jiangxi, Hunan, Hainan, Guizhou, Yunnan, Hebei, Henan, Jilin, Anhui and Hubei provinces.

Taiwanese visitors have increased at about 2 percent a year. However, a large portion of the Taiwanese visitors are merely passing through Hong Kong on their way to China. Nearly three quarters of these travelers are one-day visitors in Hong Kong.

According to HKTB, total inbound tourism to Hong Kong contributed approximately HK$159.0 billion to the Hong Kong economy in 2008, an 11.7 percent increase from visitor expenditures in 2007. Major growth areas were Destination Consumption Expenditure (10.7 percent increase) and Passenger International Transportation Expenditure (14.8 percent increase).

Seasonality of Overall Visitors

Tourism to Hong Kong is relatively evenly distributed throughout the year, with the percentage of visitors ranging between 7 and 10 percent a month. In 2008, Hong Kong received the greatest number of visitors during the month of December, with nearly 9.4 percent of visitors traveling to Hong Kong during that time. July and August were also popular months, with approximately 9.2 and 9.1 percent visitors respectively. The Golden Weeks such as Chinese New Year, May Holiday and

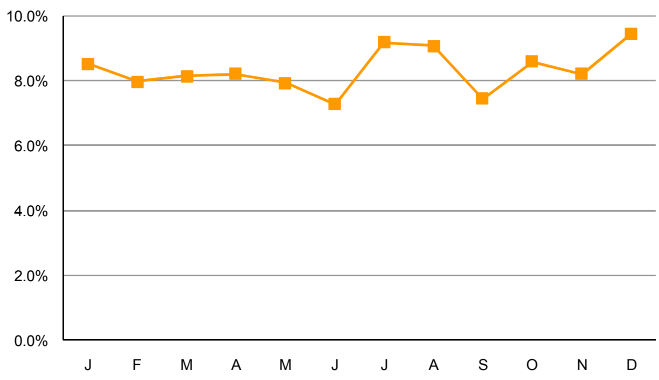
October National Holiday are also major visitor periods. The following table summarizes the distribution of visitors to Hong Kong by month for 2008.

Table 10: Visitor Arrival Seasonality, 2008

	Total	%
January	2,518,566	8.5%
February	2,352,456	8.0%
March	2,404,499	8.1%
April	2,419,911	8.2%
May	2,342,146	7.9%
June	2,147,926	7.3%
July	2,709,375	9.2%
August	2,679,092	9.1%
September	2,194,840	7.4%
October	2,532,740	8.6%
November	2,421,457	8.2%
December	2,783,608	9.4%
TOTAL	**29,506,616**	**100.0%**

Source: Hong Kong Tourism Board

Figure 4: Seasonality of Visitor Arrivals to Hong Kong, 2008



Visitor Origin

In 2008, the top three source markets were Mainland China, Taiwan and Japan accounting for 57.1 percent, 7.6 percent and 4.5 percent of total arrivals respectively. Other countries that made up Hong Kong's top 10 source markets include USA (3.9 percent), South Korea (3.1 percent), Macau (2.4 percent), Australia (2.2 percent), Singapore (2.1 percent), Philippines (1.9 percent), and United Kingdom (1.9 percent). Together, they generated almost 87 percent of total visitation to Hong Kong in 2008.

Table 11: Total Visitor Arrivals by Country/Territory, 2008

	2008	%
The Americas	**1,684,734**	**5.7%**
USA	1,146,364	3.9%
Canada	379,046	1.3%
South & Central America	159,324	0.5%
Europe, Africa & the Middle East	**2,094,039**	**7.1%**
United Kingdom	563,984	1.9%
Germany	224,665	0.8%
France	229,349	0.8%
Italy	110,583	0.4%
South Africa	65,024	0.2%
Middle East	171,971	0.6%
Australia, New Zealand and South Pacific	**763,206**	**2.6%**
Australia	643,538	2.2%
New Zealand	113,984	0.4%
North Asia	**2,229,117**	**7.6%**
Japan	1,324,797	4.5%
South Korea	904,320	3.1%
South and Southeast Asia	**2,936,207**	**10.0%**
Indonesia	348,938	1.2%
Malaysia	490,561	1.7%
Philippines	568,540	1.9%
Singapore	632,637	2.1%
Thailand	403,301	1.4%
India	350,674	1.2%
Taiwan	**2,240,481**	**7.6%**
Macau	**696,829**	**2.4%**
Mainland China	**16,862,003**	**57.1%**
TOTAL	**29,506,616**	**100.0%**

Source: Hong Kong Tourism Board

Age and Gender Profile of Overall Visitors

As shown in **Table 12**, the greatest amount of visitors to Hong Kong is in the 26- to 35-year-old age range at 28 percent of total arrivals. The gender distribution of visitors is fairly even, with slightly more males visiting in 2008 at 52 percent of total arrivals.

Table 12: Visitors by Age and Gender, 2008

	%
Gender	
Male	52%
Female	48%
Total	100%
Age	
0 - 15 Years	6%
16 - 25 Years	13%
26 - 35 Years	28%
36 - 45 Years	26%
46 - 55 Years	16%
56 - 65 Years	8%
66 Years and over	3%
Total	100%
Average Age	**37.3**

Source: Hong Kong Tourism Board

Length of Stay of Overall Visitors

Day-trip visitors to Hong Kong comprised approximately 41 percent, or almost 12.2 million, of all visitors in 2008. An estimated 17.3 million, or approximately 59 percent, of all visitors were overnight visitors. It should be noted that over 20 percent of all visitors to Hong Kong are estimated to have originated from nearby Mainland China. Nearby Mainland China refers to most cities in the Guangdong Province including Shenzhen, Guangzhou, Dongguan, Foshan, Zhongshan, Zhuhai and Huizhou.

Day-trip Visitor Market

Day-trip visitors to Hong Kong have been growing strongly for the past several years, increasing by an average of 10.5 percent since 2004.

Visitor Origin of Day-trip Visitors

Total day-trip tourist arrivals were estimated at almost 12.2 million in 2008. The majority of these tourists are from Mainland China (7.5 million or 61.5 percent), Taiwan (1.6 million or 13.1 percent) and North Asia (772,000 or 6.3 percent).

Table 13: Day-Trip Visitor Arrivals by Country/Territory, 2004-2008

	2004	2005	2006	2007	2008	CAGR 2004-2008	% of Total
The Americas	304,500	358,000	393,000	441,800	443,900	9.9%	3.7%
USA	223,100	257,000	274,900	298,300	302,200	7.9%	2.5%
Canada	62,200	70,900	79,200	96,400	95,300	11.3%	0.8%
South & Central America	19,100	30,100	38,900	47,100	46,400	24.8%	0.4%
Europe, Africa & the Middle East	340,600	448,400	497,900	581,000	540,600	12.2%	4.4%
United Kingdom	63,300	73,200	80,200	98,300	91,100	9.5%	0.7%
Germany	37,400	46,500	49,700	55,700	51,900	8.5%	0.4%
France	40,100	49,300	53,100	60,800	60,700	10.9%	0.5%
Italy	24,700	30,100	34,500	38,700	35,300	9.3%	0.3%
South Africa	23,500	40,900	39,500	35,000	31,000	7.2%	0.3%
Middle East	35,500	49,800	61,900	84,000	72,500	19.5%	0.6%
Australia, New Zealand and South Pacific	99,700	124,300	136,000	154,000	157,800	12.2%	1.3%
Australia	82,500	102,200	111,000	123,400	128,600	11.7%	1.1%
New Zealand	16,300	20,400	23,000	28,500	27,400	13.9%	0.2%
North Asia	596,500	662,000	696,900	761,800	771,700	6.6%	6.3%
Japan	379,600	398,800	436,000	478,100	505,300	7.4%	4.2%
South Korea	216,900	263,200	260,900	283,800	266,500	5.3%	2.2%
South and Southeast Asia	529,200	635,500	673,600	727,400	732,500	8.5%	6.0%
Indonesia	41,400	53,700	68,800	89,300	87,100	20.4%	0.7%
Malaysia	95,400	107,200	118,600	134,300	118,200	5.5%	1.0%
Philippines	79,300	89,900	92,900	113,100	117,000	10.2%	1.0%
Singapore	111,700	145,000	144,400	153,100	153,100	8.2%	1.3%
Thailand	79,900	103,700	99,900	96,700	104,700	7.0%	0.9%
India	84,900	93,000	102,300	112,700	119,100	8.8%	1.0%
Taiwan	1,527,800	1,509,900	1,500,400	1,543,900	1,591,100	1.0%	13.1%
Macau	297,000	316,800	354,800	385,000	440,700	10.4%	3.6%
Mainland China	4,452,000	4,511,700	5,157,000	6,393,100	7,482,200	13.9%	61.5%
TOTAL	**8,147,300**	**8,566,600**	**9,409,700**	**10,988,100**	**12,160,400**	**10.5%**	100.0%

Source: Hong Kong Tourism Board, A Statistical Review of Hong Kong Tourism 2008

Age and Gender Profile of Day-trip Visitors

Day-trip visitors to Hong Kong were primarily male visitors accounting for more than half of the total at 58 percent. Over half of the visitors were in the young adult category of between 26 and 45 years old at 63 percent of total day-trip arrivals. The average age was about 38 years old.

Purpose of Visit of Day-trip Visitors

Approximately 37 percent of day-trip visitors traveled to Hong Kong with the primary purpose of vacation. Business visitors comprised about 19 percent of all day-trip visitors. Approximately 37 percent of day-trip visitors were merely pass-through traffic.

Table 14: Overview Characteristics of Day-trip Visitors, 2008

	%
Gender	
Male	58%
Female	42%
Total	100%
Age	
16 - 25 Years	12%
26 - 35 Years	33%
36 - 45 Years	30%
46 - 55 Years	19%
56 - 65 Years	6%
Over 66 Years	1%
Total	100%
Average Age	**38.1**
Purpose of Visit	
Vacation	37%
Visiting Friends/Relatives	5%
Business/Meetings	19%
En Route	37%
Other	3%
Total	100%

Source: Hong Kong Tourism Board

Average Daily Expenditures Day-trip Visitors

On average, day-trip visitors spent an estimated HK $1,498 per person in 2008, registering a compounded annual growth rate (CAGR) of over 21 percent in the past five years. The majority of the spending came from day-trippers from Mainland China, who averaged per capita spending of HK $2,138.

Table 15: Average Per Capita Consumer Expenditure of Day-trip Visitors, 2004-2008

	(in HK$)			(in HK$)				CAGR
	2002	2003	2004	2005	2006	2007	2008	'04-'08
America	357	466	312	320	325	373	339	2.1%
Europe, Africa and the Middle East	372	397	327	301	420	417	409	5.8%
Australia, New Zealand and South Pacific	380	470	437	547	464	510	574	7.1%
North Asia	352	340	166	204	198	221	394	24.1%
South and Southeast Asia	406	288	224	244	269	353	458	19.6%
Mainland China	961	1,290	1,043	1,247	1,537	1,832	2,138	19.7%
Taiwan	492	354	156	195	225	229	268	14.5%
Macau	400	585	889	1,284	1,590	1,661	1,576	15.4%
AVERAGE	**620**	**811**	**689**	**810**	**1,015**	**1,239**	**1,498**	**21.4%**

Source: Hong Kong Tourism Board

Day-trip visitors, on average, spent approximately 88 percent of their daily expenditures on shopping and only 6 percent on meals.

Table 16: Day-trip Visitor Spending by Category, 2004-2008

	Distribution (%)					Per Cap Estimate (2008)
	2004	2005	2006	2007	2008	HK$
Shopping	83.1%	82.6%	85.5%	86.2%	88.1%	1,320
Hotel Bills	0.9%	1.2%	1.1%	0.8%	0.7%	10
Meals Outside Hotels	7.4%	7.3%	5.9%	6.2%	5.6%	84
Others	8.6%	8.9%	7.5%	6.7%	5.6%	84
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**1,498**

Source: Hong Kong Tourism Board

Cultural Activities Engaged by Day-trip Visitors

Only limited information for Mainland day-trip visitors is available from Hong Kong Tourism Board. The incidence of visiting museums or cultural activities venues is low and during 2008, there were only a mere 0.2 percent among day-trip Mainland visitors who had participated in cultural activities.

Overnight Visitor Market

Hong Kong is one of the top tourist destinations in Asia competing with other destinations in the region. Overnight tourism to Hong Kong has been growing steadily at an annual growth of more than 6 percent on average in the last five years. In 2008, there were a total of 17.3 million overnight visitors to Hong Kong. More than 10.0 million (59.4 percent) were from Mainland China, Taiwan and Macau. The rest were other international tourists, accounting for 7.0 million (40.6 percent).

Table 17: Overnight Visitor Arrivals by Country/Territory, 2004-2008

	2004	2005	2006	2007	2008	CAGR 2004-2008	% of Total
The Americas	1,091,500	1,196,700	1,229,500	1,330,100	1,231,800	3.1%	7.1%
USA	825,800	877,900	878,300	924,100	837,600	0.4%	4.8%
Canada	211,200	236,000	254,700	296,300	281,900	7.5%	1.6%
South & Central America	54,600	82,800	96,500	109,700	112,300	19.8%	0.6%
Europe, Africa & the Middle East	1,035,200	1,271,400	1,410,200	1,596,700	1,544,200	10.5%	8.9%
United Kingdom	345,200	387,700	431,000	496,900	467,200	7.9%	2.7%
Germany	131,500	157,500	162,800	177,000	170,800	6.8%	1.0%
France	108,000	136,200	147,500	169,000	168,600	11.8%	1.0%
Italy	54,300	67,800	73,600	79,900	75,300	8.5%	0.4%
South Africa	30,800	36,600	37,300	37,900	33,900	2.4%	0.2%
Middle East	55,600	71,000	88,100	101,600	99,500	15.7%	0.6%
Australia, New Zealand and South Pacific	382,900	494,600	529,900	599,600	599,900	11.9%	3.5%
Australia	325,800	422,200	451,300	507,100	509,900	11.8%	2.9%
New Zealand	55,400	69,000	74,700	88,500	86,200	11.7%	0.5%
North Asia	1,068,800	1,190,200	1,331,700	1,438,500	1,454,700	8.0%	8.4%
Japan	746,500	810,900	874,100	846,000	816,800	2.3%	4.7%
South Korea	322,300	379,300	457,600	592,400	637,800	18.6%	3.7%
South and Southeast Asia	1,548,400	1,777,400	1,986,000	2,160,500	2,203,700	9.2%	12.7%
Indonesia	190,900	206,800	255,200	276,900	261,900	8.2%	1.5%
Malaysia	244,300	284,800	327,400	370,200	372,300	11.1%	2.1%
Philippines	257,400	301,100	361,100	439,800	451,500	15.1%	2.6%
Singapore	352,200	428,300	444,000	478,800	479,500	8.0%	2.8%
Thailand	237,000	276,700	295,700	290,600	298,600	5.9%	1.7%
India	159,500	180,500	191,800	204,800	231,500	9.8%	1.3%
Taiwan	546,800	619,900	676,900	694,800	649,400	4.4%	3.7%
Macau	187,100	193,200	223,000	241,100	256,200	8.2%	1.5%
Mainland China	7,793,900	8,029,700	8,434,300	9,092,600	9,379,700	4.7%	54.2%
TOTAL	**13,654,600**	**14,773,100**	**15,821,300**	**17,153,900**	**17,319,500**	**6.1%**	**100.0%**

Source: Hong Kong Tourism Board, A Statistical Review of Hong Kong Tourism 2008

Visitor Origin of Overnight Visitors

The top three source countries for Hong Kong's overnight visitor market in 2008 were China (9.4 million or 54.2 percent), United States (838,000 or 4.8 percent), and Japan (817,000 or 4.7 percent). The three fastest growing source markets between 2004 and 2008 were South and Central America (19.8 percent CAGR), South Korea (18.6 percent), and Middle East (15.7 percent). The South and Southeast Asia market accounted for 12.7 percent of the foreign visitors to Hong Kong, whereas the North Asia market accounted for 8.4 percent. The Europe, Africa and the Middle East market accounted for about 8.9 percent. The America market accounted for about 7.1 percent. Taiwan and Macau accounted for 3.7 percent and 1.5 percent respectively. The remaining 3.5 percent of the visitation was from Australia, New Zealand and South Pacific.

Characteristics of overnight travelers to Hong Kong vary from country to country. Below, we have provided a brief summary overview of selected characteristics of overnight visitors to Hong Kong (based on Hong Kong Tourism Board's 2008 visitor survey data).

Table 18: Overview Characteristics of Overnight Visitors, 2008

	All Overnight Visitors	Vacation Visitors	Business Visitors
	%	%	%
Gender			
Male	46%	41%	73%
Female	54%	59%	27%
Total	100%	100%	100%
Age			
16 - 25 Years	14%	18%	5%
26 - 35 Years	30%	32%	29%
36 - 45 Years	26%	24%	35%
46 - 55 Years	20%	17%	24%
56 - 65 Years	8%	7%	7%
Over 66 Years	2%	2%	1%
Total	100%	100%	101%
Average Age	**38.9**	**37.4**	**40.7**
Purpose of Visit			
Vacation	55%		
Visiting Friends/Relatives	19%		
Business/Meetings	21%		
En Route	3%		
Others	2%		
Total	100%		
Type of Accommodation			
Commercial	69%	81%	
Other	31%	19%	
Total	100%	100%	
Length of Stay (nights)	3.3	2.8	2.9

Source: Hong Kong Tourism Board

Age and Gender Profile of Overnight Visitors

The majority of overnight travelers were female and in their late twenties to early fifties. Vacation visitors exhibited a similar demographics pattern, while business visitors were comprised of predominantly males and showed a shift towards the late thirties to early fifties age group.

Purpose of Visit of Overnight Visitors

Vacation (55 percent) was the most common reason for overnight tourists to visit Hong Kong with business/meetings (21 percent) second and visiting friends/relatives (19 percent) third.

Length of Stay & Type of Accommodation of Overnight Visitors

The average length of stay for vacationing visitors to Hong Kong is 2.8 nights while business visitors stayed 2.9 nights. According to the Hong Kong Tourism Board, 69 percent of all overnight visitors stayed in a commercial establishment in 2008.

Average Expenditures Overnight Visitors

In 2008, the average expenditure by overnight visitors was approximately HK$5,439 per person. Overnight visitors generally spent more than day-trip visitors. Overnight visitors from Australia, New

Zealand and South Pacific had the most per capita tourism expenditure while the Macau market had the smallest per capita tourism expenditure total.

Table 19: Average Per Capita Consumer Expenditure of Overnight Visitors, 2004-2008

	(in HK$)					CAGR
	2004	2005	2006	2007	2008	'04-'08
The Americas	5,250	5,477	5,505	5,744	5,760	2.3%
Europe, Africa and the Middle East	5,122	5,331	5,366	5,640	6,045	4.2%
Australia, New Zealand and South Pacific	5,072	5,068	5,463	5,589	6,181	5.1%
North Asia	4,112	4,300	4,316	4,303	4,306	1.2%
South and Southeast Asia	4,350	4,377	4,550	4,773	4,744	2.2%
Mainland China	4,355	4,554	4,705	5,193	5,676	6.8%
Taiwan	4,789	4,916	5,329	5,015	5,126	1.7%
Macau	2,554	2,765	2,802	2,772	3,041	4.5%
AVERAGE	**4,478**	**4,663**	**4,799**	**5,122**	**5,439**	**5.0%**

Source: Hong Kong Census and Statistics Dept

Of the total average per capita tourism expenditure in 2008, shopping represented the largest expenditure at over 57 percent, while accommodation represented about 22 percent. Touring and entertainment together comprised slightly over 3 percent of the total. The relatively low spending on touring and entertainment is because many of the visitors came with the all-inclusive tour packages.

Figure 5: Overnight Visitor Spending by Category, 2008

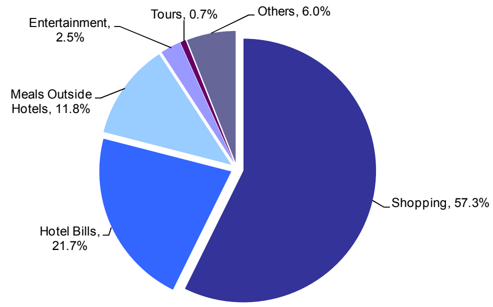


Table 20: Overnight Visitor Spending by Category, 2004-2008

	Distribution (%)					Per Cap Estimate (2008)
	2004	2005	2006	2007	2008	HK$
Shopping	55.9%	52.9%	53.2%	56.7%	57.3%	3,117
Hotel Bills	20.2%	22.2%	23.6%	22.5%	21.7%	1,180
Meals Outside Hotels	13.3%	14.1%	13.2%	11.9%	11.8%	642
Entertainment	2.7%	2.2%	2.2%	2.2%	2.5%	136
Tours	1.0%	1.4%	0.9%	0.7%	0.7%	38
Others	6.9%	7.2%	7.0%	6.1%	6.0%	326
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**5,439**

Source: Hong Kong Tourism Board

Cultural Activities Engaged by Overnight Visitors

According to the HKTB visitor profile survey, only 3 percent out of all overnight visitors had visited museums or other cultural activities venues during their stay in Hong Kong. Overnight visitors from the Americas, Europe, Africa and Middle East, as well as Australia, New Zealand and South Pacific showed a higher interest with about 6 percent to 8 percent of the total market visiting such cultural facilities. On the other hand, only 2 percent to 4 percent of tourists from Asia and a mere 1 percent of tourists from Mainland China visited museums or cultural activities venues.

Projected Hong Kong Visitor Markets

ERA AECOM projected the day-trip and overnight visitor markets by top source markets at 5-year intervals up to year 2030. Between 2009 and 2014, ERA AECOM estimated the compounded annual growth rate (CAGR) for the overall tourist market at 6.4 percent, and more conservative growth over time (2014 to 2030). The day-trip visitor market comprises almost 16.8 million in 2014 and the overnight visitor market an estimated 21.8 million. By 2030, the day-trip visitor and overnight visitor markets will grow to reach 27.4 million and 35.5 million respectively. On an aggregate basis, the total visitor market is projected to grow from 38.6 million in 2014 to 62.9 million by 2030.

In preparing the visitor market forecast, ERA AECOM identified and reviewed the following qualitative and quantitative factors, in addition to projections from PATA and WTO, that comprise our 5-year interval macro factor assumptions framework for our market projection rates:

Historic Hong Kong Tourism Growth

ERA AECOM examined historic tourism arrivals statistics including total arrivals, day-trip and overnight visitor arrivals by origin including Mainland China and the key source markets, as well as market share and arrivals by purpose of visit for each key source market. ERA AECOM evaluated the growth trends in the last 10 years and developed CAGR between 1998 and 2008 for each set of data, in order to provide key indicators on the future market trends of each segment.

Recent Years Trendlines

ERA AECOM also evaluated the trendlines for each key source market of the day-trip and overnight visitor markets. Due to SARS and the implementation of the Individual Visit scheme in 2003 that allows individual travelers from selected cities to visit Hong Kong and Macau, previous years' trendlines for China are not indicative for future growth. Hence, we looked at 2004 as the base year for Mainland China and the other key source markets. The following charts illustrate the trendlines for the day-trip and overnight visitor markets from Mainland China and other key source markets from 2004 to 2008.

Figure 6: Day-Trip Visitor Arrival Trends - China

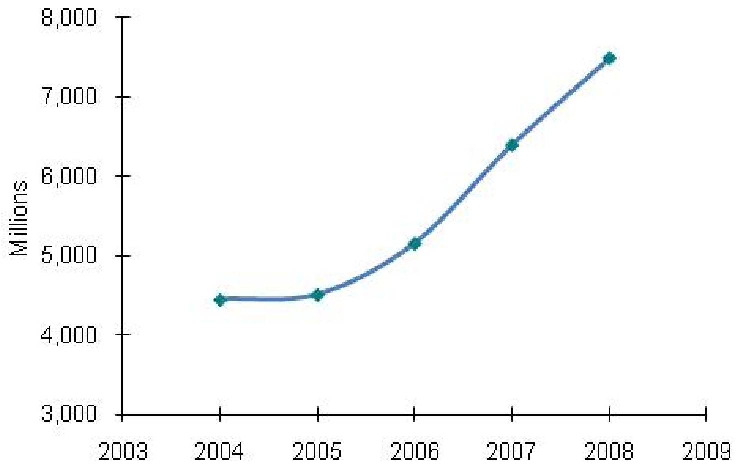


Figure 7: Overnight Visitor Arrival Trends - China

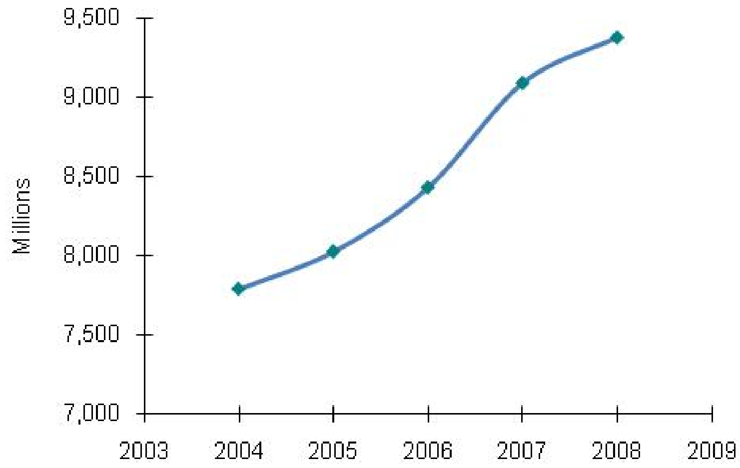


Figure 8: Day-Trip Visitor Arrival Trends - International

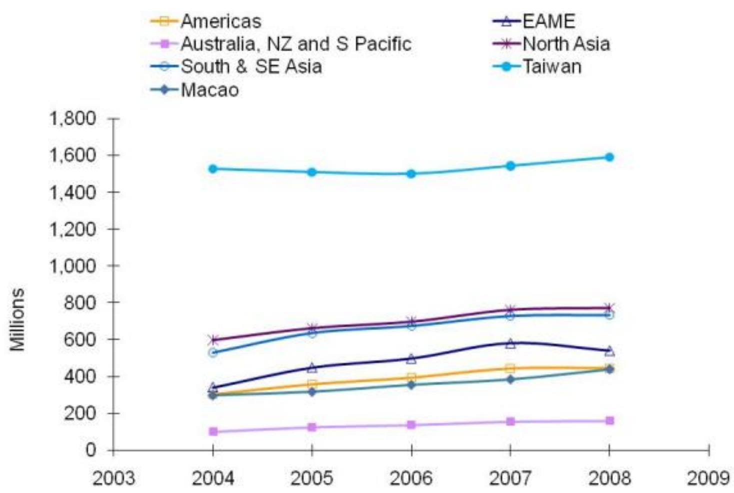
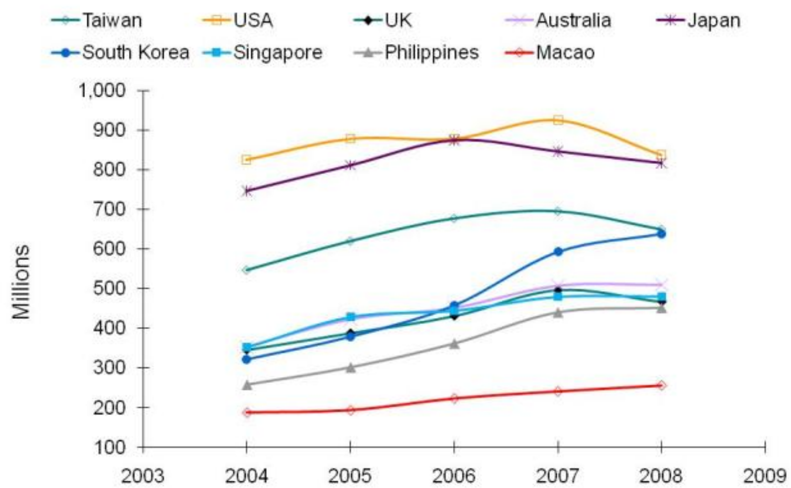


Figure 9: Overnight Visitor Arrival Trends - International



Looking back historically at the growth of the Hong Kong visitor markets reveals strong and steady growth. This growth has been a direct result of the unprecedented economic growth of the China economy that in turn drives Mainland China outbound travel; successful diversification of the tourism product offering in Hong Kong building on leisure/pleasure visitors including the family market, business and the MICE (meeting, incentives, convention and exhibition) industry as well as major sports and cultural events; supporting investments in attractions, accommodations and transportation infrastructure to support the market growth; as well as other factors such as a sales tax-free policy and a safe and quality image.

In the immediate term, 2008 saw considerably lower growth in visitor arrivals compared to last year, as the second half of the year was impacted by the onset of the global financial crisis and the ensuing credit crunch. The long-haul markets, namely US and Europe, as well as selected Asian markets which include South Korea, Japan and Singapore experienced particularly prominent decrease in inbound arrivals.

Arrival statistics for the first nine months of 2009 still showed a decline compared to the same time period of the previous year. However, selected international markets already showed some signs of recovery. On the other hand, China, in particular the day-trip market, remained robust and will continue to be the key source market for Hong Kong. Going forward, ERA AECOM expects 2009 will register negative growth due to economic slowdown and recession in key international tourism source markets which is in line with HKTB's outlook. The situation is expected to improve slightly starting in year 2010 with modest recovery as economic growth resumes, and tourism arrival is anticipated to return to 2007 levels between late 2010 and 2011.

Key Growth Drivers

ERA AECOM also identified the following underlying trends and factors that could affect tourism in Hong Kong, including economic growth outlook, accommodations/hotel room inventory, new attractions, HKTB marketing and destination positioning, transportation infrastructure, competition from other cities/destinations in Asia, growth from Mainland China among others:

- <u>Economic growth outlook</u> – Travel trends are highly correlated with economic growth. Despite the economic turmoil, it is expected that China's economy will continue to expand and outgrow the rest of the world in the short to medium term. Economic growth will stabilize in the medium to long term. The rest of the world will remain in economic recession in the near term with a slower recovery in the medium term.
- <u>Accommodations/hotel room inventory</u> – Accommodation supply can pose constraints on tourism growth. In the past few years, over 3,000 new hotel rooms were added to the market in Hong Kong each year, with occupancy rates maintained at over 80 percent. According to figures from the Hong Kong Tourism Board (HKTB) and the Tourism Commission, the hotel room supply will continue to grow in the same magnitude in the short term. In the medium to long term, ERA AECOM expects hotel capacity in Hong Kong to experience slower growth, which will pose a moderating effect on tourism growth in the long term.
- <u>New attractions</u> – In the short to medium term, there will be several new major offerings and reinvestment in existing attractions that will increase entertainment capacity and attract new or repeat visitation. This includes the Disney expansion plan to be implemented over the next three years (by 2012/2013), redevelopment of Ocean Park to be completed by 2012, the new cruise terminal at the old Kai Tak airport with first phase opening by 2013, as well as the opening of the West Kowloon Cultural District in 2014/15. There are also several smaller-scale tourism projects such as the Aberdeen Tourism project that are in the pipeline. It is

anticipated that the entertainment capacity in the medium to long term will continue to increase with sustained reinvestment in existing entertainment products.

- HKTB marketing and destination positioning – ERA AECOM expects the Hong Kong Tourism Board to continue to aggressively market Hong Kong in key tourist markets through launching tourism campaigns, opening of additional regional offices and participation in major tourism tradeshows, among other marketing initiatives. Hong Kong's positioning as an urban destination will be complemented by the opening of the West Kowloon Cultural District, which will offer a variety of cultural activities and events and help HKTB tap into new markets.
- Transportation infrastructure – Infrastructure investments in transportation including the Guangzhou-Shenzhen-Hong Kong express rail link is expected to cause changes to travel patterns in particular in the day trip tourist market, and in the longer term, the overnight tourist market as the high-speed rail network expands into the greater China. ERA AECOM assumes there will be no major bottlenecks in transportation during the forecast period.
- Competition from other cities/destinations in Asia – In the short to medium term, it is anticipated that Hong Kong will remain competitive and appealing to tourists as its soft infrastructure such as service quality and safety is considered more developed than its competitors in the region. However in the longer term, Hong Kong is expected to face increasingly intense competition from other Asian cities as their tourism industry and supporting infrastructure mature over time, in particular in Mainland China.
- Mainland China – With China's emerging middle class and the gradual increase in disposable incomes, as well as the further implementation of IVS in additional cities and additional visa relaxation measures such as in Shenzhen, it is expected that China will continue to be a strong growth driver in Hong Kong's inbound tourism arrivals in the short to medium term. WTO forecasted that Chinese outbound tourism will reach 100 million by 2015.[2] In the longer term, it is expected that growth from China will stabilize at a moderate rate as other destinations gain popularity among visitors from Mainland China.

Based on the above analysis and observations, ERA AECOM made adjustments to historic growth rates and applied such rates to the official day-trip visitation statistics and ERA AECOM-derived overnight visitation in 2008. In particular, ERA AECOM's estimate of the overnight tourism market was derived based on standard methodology for international attraction and tourism studies in quantifying the overnight tourism market. Utilizing statistics and tourism data including the ratio of tourists staying in hotels and other accommodations (such as visiting friends and relatives, non-hotels and others), length of stay, hotel occupancy rates, hotel room inventory and other factors, ERA AECOM calculated the estimated overall number of overnight tourists to Hong Kong.

In our short to medium term forecasts, we adopted more aggressive growth rates as we assumed visitation levels will rebound to 2007 levels between 2010 and 2011. In the medium to long term forecasts, we expect slower and more conservative growth due to a higher tourism base and slower growth of hotel capacity in Hong Kong.

It should be noted that any disruption to the economic growth (such as severe recession and financial crisis) or geo-political environment, other high profile events such as wars and health epidemics, as well as a lack of sufficient lodging facilities or other logistic capacity in Hong Kong to accommodate the growth of the visitor market, would negatively impact the forecast with slower or negative growth as a consequence.

[2] HKTB 2009 Tourism Overview Presentation for Mainland China

Table 21: Projected Visitor Market to Hong Kong, 2008-2030

	Actual	Estimated and Projected Markets						Estimated Market Growth Rates (CAGR/average annual growth rates)			
	2008	2009	2014	2017	2020	2025	2030	2009 - 2014	2014-2020	2020 - 2025	2025 - 2030
Visitor Market											
Day Trip Visitors											
Mainland China	7,482,000	7,969,000	11,651,000	13,137,000	14,813,000	17,509,000	20,258,000	7.9%	4.1%	3.4%	3.0%
Vacation/VFR	*4,414,000*	*4,702,000*	*6,874,000*	*7,882,000*	*9,073,000*	*10,987,000*	*12,955,000*				
Business	*1,721,000*	*1,833,000*	*2,680,000*	*3,022,000*	*3,407,000*	*4,027,000*	*4,659,000*				
Others	*1,347,000*	*1,434,000*	*2,097,000*	*2,233,000*	*2,333,000*	*2,495,000*	*2,644,000*				
International	4,678,000	4,281,000	5,145,000	5,516,000	5,914,000	6,540,000	7,149,000	3.7%	2.3%	2.0%	1.8%
Vacation/VFR	*713,000*	*658,000*	*791,000*	*849,000*	*928,000*	*1,019,000*	*1,117,000*				
Business	*481,000*	*443,000*	*533,000*	*585,000*	*635,000*	*716,000*	*784,000*				
Others	*3,481,000*	*3,180,000*	*3,821,000*	*4,082,000*	*4,351,000*	*4,805,000*	*5,248,000*				
Total Day Trip Visitors	**12,160,000**	**12,250,000**	**16,796,000**	**18,653,000**	**20,727,000**	**24,049,000**	**27,407,000**	**6.5%**	**3.6%**	**3.0%**	**2.6%**
Overnight Visitors											
Mainland China	9,029,000	9,119,000	12,844,000	14,482,000	16,329,000	19,068,000	21,807,000	7.1%	4.1%	3.1%	2.7%
Vacation/VFR	*7,313,000*	*7,386,000*	*10,404,000*	*11,774,000*	*13,292,000*	*15,579,000*	*17,882,000*				
Business	*1,354,000*	*1,368,000*	*1,927,000*	*2,172,000*	*2,449,000*	*2,860,000*	*3,271,000*				
Other	*361,000*	*365,000*	*514,000*	*536,000*	*588,000*	*629,000*	*654,000*				
International	7,643,000	6,926,000	9,002,000	9,841,000	10,758,000	12,225,000	13,657,000	5.4%	3.0%	2.6%	2.2%
Vacation/VFR	*5,024,000*	*4,576,000*	*5,947,000*	*6,603,000*	*7,269,000*	*8,381,000*	*9,416,000*				
Business	*2,147,000*	*1,921,000*	*2,497,000*	*2,655,000*	*2,881,000*	*3,188,000*	*3,557,000*				
Other	*472,000*	*429,000*	*558,000*	*583,000*	*608,000*	*656,000*	*684,000*				
Total Overnight Visitors	**16,672,000**	**16,045,000**	**21,846,000**	**24,323,000**	**27,087,000**	**31,293,000**	**35,464,000**	**6.4%**	**3.6%**	**2.9%**	**2.5%**
Total Visitor Market	**28,832,000**	**28,295,000**	**38,642,000**	**42,976,000**	**47,814,000**	**55,342,000**	**62,871,000**	**6.4%**	**3.6%**	**3.0%**	**2.6%**
Total Available Markets	**35,807,400**	**35,327,100**	**45,973,300**	**50,493,300**	**55,529,000**	**63,366,000**	**71,171,000**	**5.4%**	**3.2%**	**2.7%**	**2.4%**

Note: 2008-2017 resident market figures are Planning Department's mid-year estimates; 2019-2030 figures are ERA AECOM's mid-year estimates based on Planning Department's projections.
Note: 2008 day trip visitor market figures are actuals from HKTB, w hile overnight visitor market numbers w ere derived by ERA AECOM based on actual hotel statistics and visitor survey data. 2009 to 2030 day tri and overnight visitor market figures are ERA AECOM's projections.
Source: Hong Kong Tourism Bureau, Hong Kong Census and Statistics Department, Hong Kong Planning Department, ERA AECOM

Total Available Markets

The total available market is projected to grow from 35.8 million in 2008, to 46.0 million in 2014, 55.5 million in 2020, 63.4 million in 2025, and 71.2 million in 2030. This represents a CAGR growth that gradually declines from 5.4 percent between 2009 and 2014, to 2.4 percent between 2025 and 2030. Much of this increase is driven by growth in the day-trip and overnight visitor markets, which both more than doubled by 2030. In particular, China remains the key contributor to the visitation growth, and plays an increasingly larger role in the inbound visitation market over time with over 50 percent market share by 2030. Therefore, it is imperative that additional attention should be paid to this segment when planning for the proposed facilities at the West Kowloon Cultural District as they will comprise a majority of the potential market.

Resident Market Analysis

Positive factors associated with the resident market are as follows:

- Resident market is fairly self-contained. Multi-model transportation will allow most people to get to the site within 1 hour.
- Income levels in Hong Kong are high, particularly relative to elsewhere in Asia, which generally correlates with museum attendance in other parts of the world. Incomes are high enough to not form a barrier to attendance.
- Levels of higher education are similar to other major cities in the world and are increasing, which generally correlates with propensity to visit museums, particularly art museums.
- Younger audience in Nielsen survey seemed most interested in the M+ concept. This is the target museum-going audience in HK.
- School group potential may be higher than in the past. The Hong Kong education system has slowly shifted its attitude towards arts education over the years, and arts curriculum is becoming more integrated and important within the system. Furthermore, school trips are fairly easy to organize.

Factors that are likely to have a negative impact on potential attendance for the resident market are as follows:

- The size of the resident market is fairly modest compared to other major metropolitan areas with large art museums worldwide.
- The ½ hour market (could be considered "primary") is smaller than the ½ hour to 1 hour market ("secondary").
- Resident market future growth is modest and constrained by limited available developable land and borders.
- Most growth is projected for the New Territories, which is further than Kowloon and many parts of Hong Kong Island.
- One-third of the resident market is age 50 and over, which is not the target market for contemporary art museums and the four themes proposed for M+ (and is only 16 percent of the museum-going audience currently).
- General lack of awareness of art museums among HK residents. Nearly half of museum goers were unable to recall any names of museums outside of Hong Kong, including museums that they visited.
- HK resident market shows relative lack of interest in visiting museums. Over 40 percent of non-museum goers indicated no interest in visiting museums.

Visitor Market

Positive factors for attendance potential related to the visitor market are as follows:

- It is a large and robust market.
- The visitor market has exhibited strong growth, particularly from the Chinese market, which has grown at a rate of 20 percent annually over the past 10 years and now comprises more than 50 percent of the entire visitor market.
- The China market seems interested and enthusiastic in M+ concept relative to the Hong Kong resident market, although existing participation rates are fairly low.
- South and Southeast Asia are large source markets with high growth rates. The relatively close proximity is favorable for marketing efforts.
- The visitor market does not experience much seasonality, so most peaks in visitation will likely come from special exhibitions, which can be managed through operational measures.
- The visitor market demographic is young and favorable for project concept.

Key challenges related to the visitor market for attendance at M+ are as follows:

- Visitors from China, the largest market segment, currently have the lowest museum visitation rates. Visitors from outside Asia (the smallest market segments) have the highest visitation rates.
- Day trippers comprise a significant portion of visitor market, and are less likely to attend the museum. A major segment of day trip visitors are in transit and not a viable market segment.
- Length of stay is modest.
- Visitors who come to HK are most interested in shopping and also have significant expenditures on shopping (more than hotels). This is particularly true for the China market.

Table 22: Summary Overview of Estimated Available Markets for M+ and EC at West Kowloon Cultural District, 2008-2030

	Actual	Estimated and Projected Markets						Estimated Market Growth Rates (CAGR/average annual growth rates)			
	2008	2009	2014	2017	2020	2025	2030	2009 - 2014	2014- 2020	2020 - 2025	2025 - 2030
Resident Market											
Hong Kong Island	*1,305,900*	*1,303,000*	*1,329,000*	*1,341,000*	*1,340,000*	*1,340,000*	*1,378,000*				
Kowloon	*2,031,900*	*2,063,300*	*2,200,000*	*2,265,700*	*2,325,000*	*2,343,000*	*2,397,000*				
New Territories	*3,637,600*	*3,665,800*	*3,802,300*	*3,910,600*	*4,050,000*	*4,341,000*	*4,525,000*				
Total Resident Market	**6,975,400**	**7,032,100**	**7,331,300**	**7,517,300**	**7,715,000**	**8,024,000**	**8,300,000**	**0.8%**	**0.9%**	**0.8%**	**0.7%**
Visitor Market											
Day Trip Visitors											
Mainland China	7,482,000	7,969,000	11,651,000	13,137,000	14,813,000	17,509,000	20,258,000	7.9%	4.1%	3.4%	3.0%
Vacation/VFR	*4,414,000*	*4,702,000*	*6,874,000*	*7,882,000*	*9,073,000*	*10,987,000*	*12,955,000*				
Business	*1,721,000*	*1,833,000*	*2,680,000*	*3,022,000*	*3,407,000*	*4,027,000*	*4,659,000*				
Others	*1,347,000*	*1,434,000*	*2,097,000*	*2,233,000*	*2,333,000*	*2,495,000*	*2,644,000*				
International	4,678,000	4,281,000	5,145,000	5,516,000	5,914,000	6,540,000	7,149,000	3.7%	2.3%	2.0%	1.8%
Vacation/VFR	*713,000*	*658,000*	*791,000*	*849,000*	*928,000*	*1,019,000*	*1,117,000*				
Business	*481,000*	*443,000*	*533,000*	*585,000*	*635,000*	*716,000*	*784,000*				
Others	*3,481,000*	*3,180,000*	*3,821,000*	*4,082,000*	*4,351,000*	*4,805,000*	*5,248,000*				
Total Day Trip Visitors	**12,160,000**	**12,250,000**	**16,796,000**	**18,653,000**	**20,727,000**	**24,049,000**	**27,407,000**	**6.5%**	**3.6%**	**3.0%**	**2.6%**
Overnight Visitors											
Mainland China	9,029,000	9,119,000	12,844,000	14,482,000	16,329,000	19,068,000	21,807,000	7.1%	4.1%	3.1%	2.7%
Vacation/VFR	*7,313,000*	*7,386,000*	*10,404,000*	*11,774,000*	*13,292,000*	*15,579,000*	*17,882,000*				
Business	*1,354,000*	*1,368,000*	*1,927,000*	*2,172,000*	*2,449,000*	*2,860,000*	*3,271,000*				
Other	*361,000*	*365,000*	*514,000*	*536,000*	*588,000*	*629,000*	*654,000*				
International	7,643,000	6,926,000	9,002,000	9,841,000	10,758,000	12,225,000	13,657,000	5.4%	3.0%	2.6%	2.2%
Vacation/VFR	*5,024,000*	*4,576,000*	*5,947,000*	*6,603,000*	*7,269,000*	*8,381,000*	*9,416,000*				
Business	*2,147,000*	*1,921,000*	*2,497,000*	*2,655,000*	*2,881,000*	*3,188,000*	*3,557,000*				
Other	*472,000*	*429,000*	*558,000*	*583,000*	*608,000*	*656,000*	*684,000*				
Total Overnight Visitors	**16,672,000**	**16,045,000**	**21,846,000**	**24,323,000**	**27,087,000**	**31,293,000**	**35,464,000**	**6.4%**	**3.6%**	**2.9%**	**2.5%**
Total Visitor Market	**28,832,000**	**28,295,000**	**38,642,000**	**42,976,000**	**47,814,000**	**55,342,000**	**62,871,000**	**6.4%**	**3.6%**	**3.0%**	**2.6%**
Total Available Markets	**35,807,400**	**35,327,100**	**45,973,300**	**50,493,300**	**55,529,000**	**63,366,000**	**71,171,000**	**5.4%**	**3.2%**	**2.7%**	**2.4%**

Note: 2008-2017 resident market figures are Planning Department's mid-year estimates; 2019-2030 figures are ERA AECOM's mid-year estimates based on Planning Department's projections.

Note: 2008 day trip visitor market figures are actuals from HKTB, while overnight visitor market numbers were derived by ERA AECOM based on actual hotel statistics and visitor survey data. 2009 to 2030 day trip and overnight visitor market figures are ERA AECOM's projections.

Source: Hong Kong Tourism Bureau, Hong Kong Census and Statistics Department, Hong Kong Planning Department, ERA AECOM

Table 23: Summary by Market Share of Estimated Available Markets for M+ and EC at West Kowloon Cultural District, 2008-2030

	Projected Markets						
	2008	2009	2014	2017	2020	2025	2030
Resident Market	**19.5%**	**19.9%**	**15.9%**	**14.9%**	**13.9%**	**12.7%**	**11.7%**
Hong Kong Island	*18.7%*	*18.5%*	*18.1%*	*17.8%*	*17.4%*	*16.7%*	*16.6%*
Kowloon	*29.1%*	*29.3%*	*30.0%*	*30.1%*	*30.1%*	*29.2%*	*28.9%*
New Territories	*52.1%*	*52.1%*	*51.9%*	*52.0%*	*52.5%*	*54.1%*	*54.5%*
Visitor Market							
Day Trip Visitors							
Mainland China	20.9%	22.6%	25.3%	26.0%	26.7%	27.6%	28.5%
Vacation/VFR	*59.0%*	*59.0%*	*59.0%*	*60.0%*	*61.3%*	*62.8%*	*64.0%*
Business	*23.0%*	*23.0%*	*23.0%*	*23.0%*	*23.0%*	*23.0%*	*23.0%*
Others	*18.0%*	*18.0%*	*18.0%*	*17.0%*	*15.7%*	*14.2%*	*13.1%*
International	13.1%	12.1%	11.2%	10.9%	10.7%	10.3%	10.0%
Vacation/VFR	*15.2%*	*15.4%*	*15.4%*	*15.4%*	*15.7%*	*15.6%*	*15.6%*
Business	*10.3%*	*10.3%*	*10.4%*	*10.6%*	*10.7%*	*10.9%*	*11.0%*
Others	*74.4%*	*74.3%*	*74.3%*	*74.0%*	*73.6%*	*73.5%*	*73.4%*
Total Day Trip Tourists	**34.0%**	**34.7%**	**36.5%**	**36.9%**	**37.3%**	**38.0%**	**38.5%**
Overnight Visitors							
Mainland China	25.2%	25.8%	27.9%	28.7%	29.4%	30.1%	30.6%
Vacation/VFR	*81.0%*	*81.0%*	*81.0%*	*81.3%*	*81.4%*	*81.7%*	*82.0%*
Business	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
Other	*4.0%*	*4.0%*	*4.0%*	*3.7%*	*3.6%*	*3.3%*	*3.0%*
International Overnight Tou	21.3%	19.6%	19.6%	19.5%	19.4%	19.3%	19.2%
Vacation/VFR	*65.7%*	*66.1%*	*66.1%*	*67.1%*	*67.6%*	*68.6%*	*68.9%*
Business	*28.1%*	*27.7%*	*27.7%*	*27.0%*	*26.8%*	*26.1%*	*26.0%*
Other	*6.2%*	*6.2%*	*6.2%*	*5.9%*	*5.7%*	*5.4%*	*5.0%*
Total Overnight Tourists	**46.6%**	**45.4%**	**47.5%**	**48.2%**	**48.8%**	**49.4%**	**49.8%**
Total Available Markets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Hong Kong Tourism Bureau, Hong Kong Census and Statistics Department, ERA AECOM

IV. Consumer Research Findings

The ERA AECOM team also conducted primary consumer research for major markets in order to supplement secondary data on target resident and visitor markets. The consumer research focused on the public's likeliness of attending M+, views towards the themes of M+, and general attitudes towards museum visitation. The Nielsen Company was responsible for conducting the research, which is summarized in this section. Both qualitative research through focus groups and quantitative research through surveys were conducted.

Qualitative Research

Market research was conducted to help better understand the public's interest in the four themes of the M+ Museum, namely visual arts, popular culture, moving images & design. Specifically, the research objectives for this research were as follows:

- To understand the usage and attitude towards visiting museums in Hong Kong.
- To gauge the decision-making process and selection criteria for visiting a museum.
- To understand the needs and expectation of Hong Kong residents towards museums.
- To gauge the knowledge and interest level towards art among the general public and individuals studying art or working in art-related fields.
- To gauge the feedback and interest level towards the M+ concept and the four themes.

Research Methodology for Qualitative Research

The research methodology for the qualitative component of the consumer research is summarized below:

- Four focus groups were conducted in Hong Kong from October 2-7, 2009. Each group consisted of 8 respondents and lasted for approximately two hours.
- Group composition and respondent profile was the following:
  - Group 1 – Aged 18-24 College/University students (currently studying design, fine arts, art history related subject or course)
  - Group 2 – Aged 25-45 Individuals who are working in art-related fields (e.g. designers, architects, etc)
  - Group 3 – Aged 25-34 General public, single/married without kids
  - Group 4 – Aged 35-49 General public, married with kids under 16 years of age
- Other requirements for participants were as follows:
  - All must be local residents of Hong Kong
  - All must be non-rejecters of visiting museums
  - All must have visited museum or art-related exhibitions at least once in the past 18 months, either in Hong Kong or overseas
  - All must be the key decision maker/influencer of visiting museum or art-related exhibitions
  - Each group to have a fair mix of gender and age
  - For Group 3 & 4, each group to have 3-4 frequent museum goers
  - For Group 4: all respondents to have brought or planning to bring their child(ren) to visit museum or art-related activities

As with all qualitative research, it is important to remember that the findings reflect opinions and attitudes amongst a small, yet relevant sample, and are not intended to be interpreted in a quantitative sense.

Summary of Findings

Below we have outlined key findings from the focus groups, which have been divided into five major topics:

- Overview of Hong Kong museums;
- Needs and expectations towards museums;
- Decision-making and consideration factors for museum visits;
- Knowledge and interest level towards art amongst the general public; and
- Evaluation of the M+ concept.

The entire Nielsen report is contained in **Appendix B**.

Overview of Hong Kong Museums

Findings from the focus groups related to museum visiting habits of Hong Kong people and the general perception of museums in Hong Kong as follows:

- Frequency - The frequency of museum visits in Hong Kong does not appear to be very high. No more than a few times per year for all groups and once or twice a year for certain groups.
- Timing of Visits - Most museum visits occur on weekends, and most respondents indicated that they attend museums with their friends and families. Only a few respondents claimed that they visit museums on Wednesdays due to free entry. This may indicate that the price is not a major factor in the decision to visit museums.
- Repeat Visitation - The rate of repeat visitation to museums also appears fairly low, as indicated by respondents. The primary reasons for this are that, in the viewpoint of the respondents, the content and theme of Hong Kong museums are not updated constantly, and the public is not generally aware of any special themes to attract them to revisit a museum. A few exceptions to this include families with children who visit the Science Museum and people who visit for personal interest.
- Perception – The perception towards museums in Hong Kong is generally lukewarm. Based upon input from the groups, this is primarily due to the scale, level of participation, and content of the museums.
- Scale – It is generally perceived that the size of museums in Hong Kong is too small, and that they can only hold a limited number of exhibits. Respondents also indicated that there is not enough free space to walk around comfortably in the museum, particularly on weekends.
- Architecture – The respondents perceived the architecture of the museums as too small and ordinary, hardly noticeable when walking by. None of the museums were perceived to have iconic architecture that can represent Hong Kong.
- Participation – There was a lack of interaction between visitors and exhibits noted particularly at the art museums in Hong Kong, leading the respondents to feel removed and distant from the exhibits.
- Content – Many respondents felt that the content of museums in Hong Kong lacks variety, which appears to come from a lack of awareness as well as lack of content. There was a disconnect between the experience of the frequent museum goers and infrequent museum goers in the focus groups, which revealed some misperceptions related to museum content. There does appear to be inadequate marketing and communication of the positive aspects of Hong Kong museums to the general public.

Needs and Expectations towards Museums

From how the respondents describe their perception towards Hong Kong museums, we observe that museum visitors mainly evaluate a museum based on the following criteria: content, level of interaction with the exhibits, and scale. Specific comments are described below:

- Content – Key factors in evaluation include whether there is variety in themes and whether or not the exhibits are updated frequently. Consumers expect to have frequent traveling exhibitions in addition to the permanent exhibits. They also evaluate whether or not the exhibit is engaging enough to convey meaning or value behind the exhibit, and storytelling was suggested by many as an effective means of presenting exhibits.
- Interaction – The respondents consider the level of interaction between the museum visitor and the exhibit when evaluating a museum. Participation does not just refer to fun and entertainment, but also to exploration and learning while having fun.
- Scale – Focus group participants indicated that the architecture can present an impressive presence and attract attention and visitation. Similarly, a large collection or number of exhibits can also attract people. Finally, a leisurely environment inside a museum with plenty of free spaces and places to sit and ponder the museum exhibits can create a positive visitor experience.

Decision-making and consideration factors for museum visit

Focus groups participants were asked about their decision-making process to visit a museum. All decision making begins with information gathering. However, in the case of museum and exhibitions, most respondents were fairly passive in gathering art-related information. Most respondents receive information about museums and exhibitions from advertisements in newspaper, magazines (e.g. Metro Pop, Milk etc.), Road Show on bus, or poster at MTR platform or near bus station. Word of mouth is also another way for them to get information about museum exhibitions. Yet some are more active and would search for information about current museum exhibitions on the internet, checking the official website of Leisure and Cultural Department or Art Map.

No matter how the information about a museum or museum exhibition is received, there are some appealing messages that trigger their visit intention. Based on the recall of respondents, there are two key triggers which attract the visit intention to a museum: theme and novelty (i.e. a newly opened museum).

Knowledge and Interest Level towards Art amongst the General Public

When it comes to art, most respondents in the groups believed that Hong Kong people have a low interest level and knowledge level towards art. However in actuality, there is some interest towards art among the general public groups, but the lack of education and promotional support creates a barrier for people to get more involved and engaged in art.

The perception of the low interest level in art comes from the lack of artistic atmosphere in Hong Kong. It is perceived that Hong Kong is a materialistic society, and given the limited access to art, it is perceived that art does not have a significant value in the society. Therefore, art tends not to be a part of people's everyday life and unlike people in other countries, people in Hong Kong seldom gather together to share art. Hong Kong society is also perceived to be not open to art. For example, in 1994, the image of the sculpture "David" sculpted by Michelangelo printed on a gallery poster was classified as obscene by The Obscene Articles Tribunal; another example is that while some countries are more open to graffiti as an art form, it is treated more like vandalism in Hong Kong.

The lack of art education is perceived as one of the key reasons that contribute to this social atmosphere. Many respondents reflect that less emphasis is placed on art education in school curriculum and under that influence; there is a deep-rooted perception that art is relatively unimportant. Some art students and respondents who are more sophisticated in art also think that the syllabus of art lessons is not comprehensive enough to truly educate. Education about art history and the appreciation of art is seldom taught in school, and there are not enough activities (e.g. museum visit, outings etc.) to get students involved in art. As a result, it is perceived that Hong Kong people generally believe that they have a low art literacy, which creates a great barrier for them to get more involved in art.

Even for those who overcome this barrier and actually want to get more involved in art, they face another issue in that there is a lack of channels for them to get involved. Whereas art students and respondents who are working in art-related fields know of other channels to complement the shortcomings of art museums, such as going to private galleries or creative centres, general public groups in general have low awareness of those channels. Some respondents working in art-related fields believe that there is a lack of promotional support by the government to increase the awareness of creative centres and workshops like A1 Space and JCACC. So even if these channels do exist, the awareness of them is low and they are suffering from a low visitation rate.

Hong Kong art museums can potentially be a channel or platform to increase the interest and knowledge level towards art. However, it is also generally perceived in the groups that museums in Hong Kong are not performing this role very satisfactorily. Apart from some of the shortcomings of Hong Kong museums as mentioned above such as the verity of content and the presentation of exhibit, it also has to do with the lack of communication and promotional support. As mentioned in the previous section, some respondents do perceive there are some attractive themes in art museums in Hong Kong, however, those are either not communicated to the public, or the promotional messages are not appealing enough to attract people to go visit. In addition, there are actually workshops and museum curators available for those who would like to cultivate their interest towards art; however, the awareness of these facilities and activities is again low. Thus, it should also be noted that this lack of communication and promotional support also contributes to some misperception towards Hong Kong art museums.

Evaluation of M+ Concept

In general, the M+ concept was well-received in the focus groups and considered to have high appeal, due to the novelty of the proposed museum within Hong Kong and the fact that there are four themes. Key issues, related to the understanding and evaluation of the M+ concept, are as follows:

- Lack of clarity of concept - There does appear to be a lack of understanding related to the concept. Most people understood that a world-class and unconventional museum would be built in Hong Kong, but did not understand the meaning of “20th and 21st century visual culture.” In fact, the understanding of visual culture ranged from the incorporation of new technologies into the museum to alternate art forms such as using blood in art as the media to create a visual impact to the audience. Most respondents indicated that they had never heard of visual culture and find it hard to imagine what M+ would include based upon this description.

- Uniqueness and differentiation - The respondents perceived that M+ would be unique and differentiate itself from other museums in Hong Kong based upon content (more special and modern content), interaction and participation in exhibits, and scale, both in size and number of themes.
- Uncertainty about quality – While the concept is generally well received, many respondents indicated skepticism as to the Hong Kong Government's ability to develop and manage a museum or cultural facility that could meet their expectations for M+. They felt it would be essential for art professionals to supervise the selection and presentation of exhibits.
- Visit Intention - The intention to visit M+ was high within the focus groups, at least upon initial opening. Most participants indicated that they would go to see M+ once due to its novelty. Repeat visits would depend largely upon the selection and presentation of content.
- Iconic architecture – Many respondents felt that the iconic architecture envisioned for M+ would increase visitation, as the building would become a landmark or icon of Hong Kong. However, the respondents also indicated that the architectural design must ensure a well laid out exhibition space and pleasant visitor experience.
- Four themes – Of the four themes, moving image was viewed as the most appealing, followed by pop culture, design, then visual arts.

Overall Implications

The M+ concept is generally well received as a new type of institution that will expand the current museum offerings in Hong Kong. A summary of SWOT (strengths, weaknesses, opportunities, and threats) based on the qualitative research is shown below.

Strengths ▪ Novelty – the first large scale museum in Hong Kong ▪ Appealing themes: perceived as modern and special ▪ Perceived to be more unique and differentiating from other Hong Kong museums in terms of content, level of participation and scale	**Weaknesses** ▪ The general perception that Hong Kong Government do not value art and do not know how to manage art-related activities ▪ Lack of clarity regarding "visual culture" and content of M+
Opportunities ▪ There are unmet needs and expectations towards art museums in Hong Kong e.g. breadth and depth of contact, level of participation, scale ▪ Many are interested in art and would like to get more involved but at the moment are not aware of the channels available	**Threats** ▪ Not able to deliver the expected museums visit experience e.g. very crowded, no interaction between the exhibit and the audience, no learning after visiting the museum ▪ Lack of communication or promotional support → cannot effectively communicate the positive and appealing aspects of the museum

People in the focus groups were attracted to its novelty, potential breadth and depth of exhibits, proposed interactive and participatory exhibits, planned iconic architecture, and scale. However, there is very little understanding of "visual culture," so it was difficult for participants to determine whether or not they would become frequent visitors to M+ or simply visit it one time due to its novelty.

Furthermore, a proactive marketing and communications program will be required based upon the existing experience of Hong Kong museums. Of the four themes, moving images was the most appealing, although there were mixed and diverse opinions on all of the themes.

Quantitative Research

The second component of the consumer research includes quantitative interviews among mainland Chinese in four key cities in China (Shanghai, Beijing, Guangzhou and Shenzhen), non-Mainland Chinese overseas visitors, as well as local residents in Hong Kong.

Survey Design and Methodology

The survey objective is to gain a better understanding on public's interest in the 4 proposed themes of the M+, namely design, moving image, popular culture and visual arts.

This survey covered Hong Kong, four cities of Mainland China (namely Beijing, Shanghai, Guangzhou and Shenzhen) and other overseas visitors. For Hong Kong, telephone interviewing through CATI (computer aided telephone interviewing) was used to increase the efficiency and accuracy of data collected. No quota was set on the Hong Kong sample. For Mainland China, face-to-face street intercept method was employed so that the target respondents could be identified effectively. Soft quotas on gender and age (non-interlocking) were set in each city to ensure that the samples collected were not skewed, as shown below:

- Gender: Male (50 percent); Female (50 percent);
- Age: 18 – 29 (33 percent); 30 – 44 (34 percent); 45 – 54 (33 percent).

Similarly, a face-to-face interviewing method was adopted for overseas visitors (excluding those from Mainland China). A soft quota on nationality was set to enhance the representativeness of the samples.

- Taiwan (18%)
- South & Southeast Asia (23%)
- North Asia (18%)
- America (13%)
- Europe, Africa & the Middle East (17%)
- Macao (6%)
- Australia, New Zealand & South Pacific (6%)

For Hong Kong, the Nielsen telephone sampling frame based on residential telephone directories was used for this survey. Telephone numbers of the households were randomly drawn from the Nielsen telephone sampling frame. The household member who answered the call was invited to participate in the interview. Upon completion of one interview, the enumerators would dial out to the next household that was randomly selected from within the frame. If the respondent did not qualify or refused to participate, the enumerators would dial out to the following household that was randomly selected.

For Mainland China, areas with high traffic were selected as interviewing locations in each city. Pedestrians passing through these interviewing locations were selected randomly and recruited for the interviews. After completion of one interview, the enumerators would approach the next pedestrian that passed by. If a pedestrian did not qualify or refused to participate, the enumerators would then approach the next approaching pedestrian. The locations covered in the four key cities were as such:

- Shanghai: Within 50 meters radius from Huai Hai Lu Tai Ping Yang and within 50 meters radius from Xu Jia Hui Di Liu Bai Huo;
- Beijing: Within 50 meters radius from Zhong Guan Cun Ke Mao Dian Zi Cheng and within 50 meters radius from Cheng Xiang Mao Yi Zhong Xin;
- Guangzhou: Within 50 meters radius from Heng Bao Quang Chang and within 50 meters radius from Zhong Hua Quang Chang;
- Shenzhen: Within 50 meters radius from Luo Hu Qu Dongmen Bu Xing Jie and within 50 meters radius from Fu Tian Qu Qun Xing Quang Chang.

For overseas visitors (excluding those from Mainland China), interviews were mainly conducted at the boarding gates in Hong Kong International Airport (HKIA). Departing overseas tourist were selected randomly and recruited for the interviews. In view of the low traffic of visitors from Macau at the HKIA, interviews were also carried out nearby the Macau Ferry Terminal (MFT) and China Ferry Terminal (CFT). Pedestrians passing by MFT and CFT were intercepted and invited to participate in the interviews.

Target Respondents

For Hong Kong, the target respondents were all Hong Kong residents who had been to at least one local or overseas museum in past 24 months (collectively referred to as “museum goers” hereafter).

For Mainland China, the target respondents were all local residents who: i) Took overseas personal trips at least once in the past 12 months; ii) Have been to at least one museum in past 24 months; and iii) were non-rejecters of visiting Hong Kong for personal trip in future (collectively referred to as “museum goers” hereafter).

Tourists and domestic helpers in both Hong Kong and Mainland China were excluded from the sample. For the Mainland China samples, we only covered those who were currently residing in the respective cities (excluded those from other cities who traveled to the key cities during the fieldwork period).

For overseas visitors, the target respondents were all departing overseas tourists (excluding those from Mainland China) aged 18-54 who fulfilled the following criteria: i) Visited Hong Kong for personal trip this time; ii) Been to at least 1 museum in past 24 months; and iii) Non-rejecter of visiting Hong Kong for personal trip in future (collectively referred to as “overseas museum goers” hereafter).

Data Collection

For Hong Kong, fieldwork was conducted between 21 September 2009 and 30 September 2009. A total of 509 cases were successfully enumerated. Fieldwork for Shanghai, Guangzhou and Shenzhen were conducted between 22 September 2009 and 26 September 2009. The successfully enumerated cases were 321, 321 and 316 respectively. As for Beijing, due to the 60th National Celebration which happened from 1st -8th October, no data collection was feasible given the tight security. As such, fieldwork was conducted from 9 -14 October 2009 with a total of 327 successful cases. For overseas visitors, fieldwork was carried out on 9 and 14-21 December 2009 with a total of 304 successful cases.

Other Factors

All sub-groups have been reviewed by Nielsen and only those with notable differences were included in this report. Owing to rounding up and down of the figures, there may be a slight discrepancy between the sum of individual items and the total as shown in the tables. Finally, figures derived from small bases are subjected to larger sampling error. Readers should exercise caution in interpreting these figures. Small bases in this report are marked by "#".

Summary of Findings

Major findings from the quantitative research have been categorized into the following topics:

- Visitation and awareness of museums in and outside of Hong Kong;
- Concept and the four themes of M+;
- Travel patterns of Mainland China museum goers; and
- Non museum goers.

Detailed results and charts can be found within the entire Nielsen report which is contained in **Appendix C**.

Visitation and Awareness of Museums in/outside of Hong Kong

The following findings from the consumer research related to visitation and awareness of museums were most relevant for the M+ market analysis:

- For those designated as museum goers in Hong Kong, 80 percent have visited museums in Hong Kong over the past two years. Within China, museums goers in Guangzhou visited Hong Kong museums at the highest rate (63 percent), followed distantly by Beijing (27 percent), Shanghai (27 percent), and Shenzhen (17 percent).
- Among all overseas museum goers, the incidence of visiting Hong Kong museums was similar to the Beijing and Shanghai museum goers. Only a quarter of them (24 percent) visited Hong Kong museums, regardless of their place of origin (Asia – 24 percent vs. Non-Asia – 23 percent).
- Nearly half of all Hong Kong museum goers (42 percent) were unable to recall any names of museums outside of Hong Kong. Most could only recall the locations of the museums and not the names. The top three museums outside of Hong Kong that were noted by Hong Kong museum goers were the British Museum, the Musee Du Louvre, and the Palace Museum. Within China, the Palace Museum in Beijing was noted as the most popular museum for all Chinese cities except for Shanghai, where the Shanghai Museum was the most popular museum.
- Generally speaking, Chinese museum goers have a higher awareness of overseas museums compared to Hong Kong museum goers. Across all cities, Chinese museum goers were able to recall more museums outside of Hong Kong, while Hong Kong museum goers were only able to recall around two museums.
- When asked about what museums they have visited in the past two years, almost half (48 percent) of Hong Kong museums goers were unable to remember the names of museums outside of Hong Kong which they visited – again they would only remember the country or city in which the museum is located (i.e. the one in Japan, Macau, etc.) The most visited museums identified were the British Museum and the Palace Museum.
- The top three museums in Hong Kong mentioned by Hong Kong museum goers were the Hong Kong Museum of History, the Hong Kong Heritage Museum, and the Hong Kong Science Museum. The Museum of Art was only mentioned by 16 percent of Hong Kong museum goers as one of the top five museums in Hong Kong. Approximately one quarter of Hong Kong museum goers were unable to recall names of museums in Hong Kong correctly.
- Musee Du Louvre (Paris) (37 percent) and The British Museum (London) (30 percent) were the top two famous museums among overseas museum goers. This was followed by another

two museums located in Asia, namely The Palace Museum (Beijing) (24 percent) and National Palace Museum (Taipei) (22 percent). Overseas museum goers from Asia knew about museums located in Asia, America and Europe. However, a few of those from outside of Asia were able to mention museums in Asia.

- Guangzhou museum goers were able to mention around four museums (3.65) in Hong Kong, which is slightly higher than Hong Kong museum goers at 3.5 museums. Beijing and Shanghai museum goers were only able to mention approximately two museums. For Beijing, Shanghai, and Shenzhen, the Hong Kong Heritage Museum was most commonly cited. Also, compared with Hong Kong respondents, a larger proportion of mainland museum goers were aware of Madame Tussauds Hong Kong.
- The findings related to visitation of museums in Hong Kong mirrored those about awareness of museums.
- Nearly half (48 percent) of overseas museum goers could not recall any museums in Hong Kong. Hong Kong Space Museum (28 percent), Hong Kong Museum of Art (14 percent) and Hong Kong Science Museum (15 percent) were popular among them, regardless of whether they come from Asia or outside of Asia.
- The visiting frequency for Hong Kong museum goers varied by demographic profile. Hong Kong museum goers ages 35 to 44 had a higher visiting frequency than other age groups. Married respondents also visited more frequently than singles. Higher frequency was also observed among those with children and was correlated with higher incomes as well.
- The main reason for all museum goers except those in Beijing and Guangzhou stated for visiting museums was to gain information, knowledge, or out of own interest. Shenzhen museum goers often visit museums to meet the needs of their children's academic curriculum and to accompany their friends or family. In Beijing, approximately half of museum goers went for viewing a particular exhibit, in addition to good reputation. In Guangzhou, inclusion in a travel package was identified as a key reason why people visit museums so frequently.
- Among museum goers, lack of spare time was stated as the key reason for seldom visiting museums. Other reasons included lack of interest for Hong Kong museum goers, lack of advertisement among Beijing museum goers, rare chance to travel for Shanghai and Shenzhen museum goers, and high admission fees for Guangzhou museum goers.

Concept and the Four Themes of M+

Survey respondents were also asked a variety of questions to test the concept of M+. Three specific factors were tested in the survey to assess the level of attractiveness and the visiting intention among the museum goers. Their responses towards each of the concepts are summarized in the table below:

Concept	Hong Kong	Beijing	Shanghai	Guangzhou	Shenzhen	Overseas
The exhibits presented in M+ will focus on 20th – 21st century such as design, moving image, popular culture and visual art	42 percent	47 percent	51 percent	75 percent	36 percent	59 percent
The exhibits presented in M+ mainly demonstrate the cultural characteristics of Hong Kong	41 percent	59 percent	51 percent	74 percent	36 percent	65 percent
The exhibits presented in M+ demonstrate the cultural characteristics of China and Asia	39 percent	67 percent	64 percent	75 percent	44 percent	65 percent

In general, Guangzhou museum goers showed the highest level of appreciation towards the three concepts of M+, while Hong Kong and Shenzhen museum goers had the lowest level of interest.

Overseas, Guangzhou and Shanghai museum goers appreciated the fact that the exhibits presented in M+ would focus on 20th and 21st century topics such as design, moving image, popular culture, and visual art. However, less than half of Beijing, Shenzhen, and Hong Kong museum goers were interested in this concept.

The intent to visit M+ was highly associated with the level of attractiveness of the three major concepts. Guangzhou, Shanghai, Beijing, and overseas museum goers expressed a higher level of visiting intention compared with Shenzhen and Hong Kong museum goers.

All respondents were asked about their level of interest in the four main themes proposed for M+. Key findings are as follows:

- Museum goers in Mainland China generally demonstrated a higher level of interest in the four themes of M+ compared to Hong Kong. The aggregate average score for each theme in the Chinese cities ranged from 3.26 to 3.82. Comparatively, Hong Kong museums goers rated the four themes from 2.95 to 3.26. The aggregate score for overseas visitors, both those from Asian and elsewhere, ranged from 3.07 to 3.63.
- The theme of moving image was preferred by most of the museum goers, while pop culture was ranked at the bottom of the list in Shanghai and Guangzhou, and third place in Beijing.
- Beijing residents favored the theme of visual arts, Guangzhou favored design, and Shenzhen preferred pop culture.

Interest in specific sub topics under each of the four broad themes is shown in detail by market segment in Appendix C.

There were a few other questions asked related to the overall concept which have implications for the M+ market analysis and are described below:

- ***Entrance fee*** – Shenzhen museum goers were willing to pay the highest admission fee for visiting M+, averaging around HK $167, followed by Beijing at HK $161. Hong Kong museum goers, on the other hand, were only willing to pay an average of HK $55 for visiting M+, which was the lowest among all cities. Overseas visitors were willing to pay the highest amount of HK $215.
- ***West Kowloon Cultural District Awareness*** – Few from Shanghai and Shenzhen were aware of the location of the West Kowloon Cultural District. Those from Beijing and Guangzhou had the highest awareness within China. Among Hong Kong museum goers, over 40 percent were not aware of the location, which was accentuated in certain sub groups. For example, 50 percent of female Hong Kong museum goers were not aware of the location, and nearly 60 percent of Hong Kong museum goers between the ages of 18 and 24 were not aware of the location.
- ***Accessibility to West Kowloon Cultural District*** – The majority of Mainland China respondents thought that the accessibility of the West Kowloon Cultural District was average. Thirty percent of Hong Kong residents felt that the location was totally or quite inaccessible, compared to 40 percent in Beijing, three percent for Shanghai and Shenzhen, 12 percent for Guangzhou, and 13 percent for overseas visitors.

Travel Patterns of Mainland China Museum Goers

Mainland Chinese museum goers were asked about their travel patterns with respect to Hong Kong. Relevant findings are as follows:

- The majority of Mainland China museum goers considered traveling to Hong Kong for personal trips.

- The average length of stay in Hong Kong was largely related to distance from Hong Kong. Beijing museum goers stayed the longest in Hong Kong at an average of 6.75 days, while those from Guangzhou spent the shortest at 2.7 days.
- Mainland Chinese museum goers primarily travel to Hong Kong for shopping, dining, sightseeing, and theme parks. Shopping ranked highest for Shanghai (92 percent), Guangzhou (80 percent), and Shenzhen (76 percent).
- Overseas museum goers from Asia liked shopping (80 percent) in Hong Kong while those from outside of Asia preferred sightseeing (74 percent).

Non Museum Goers

Respondents who identified themselves as non museum goers were primarily left out of the survey. However, they were asked about reasons for not visiting any museums in the past two years, which did produce some interesting findings:

- In Beijing, Shanghai, and Guangzhou, the primary reasons stated for not visiting any museums in the past two years were primarily related to a number of reasons related to the art, exhibits, admission fee, or lack of new exhibits.
- The Hong Kong respondents primarily indicated two reasons: lack of spare time (54 percent) and no interest in visiting museums (44 percent).
- Shenzhen respondents also indicated a lack of interest in visiting museums (23 percent), as well as an overwhelming dislike of visiting museums (48 percent).

V. Existing Cultural and Competitive Environment

Cultural Institutions in M+ Competitive Environment

As part of this study, ERA AECOM reviewed the competitive market for cultural attractions in Hong Kong. There are nearly 30 museums in Hong Kong, ranging in scale and size. Half of the facilities in Hong Kong are subsidized and operated by the Government. For purposes of this analysis, ERA AECOM focused on the area's top five museums, all run by the Leisure and Cultural Services Department (LCSD):

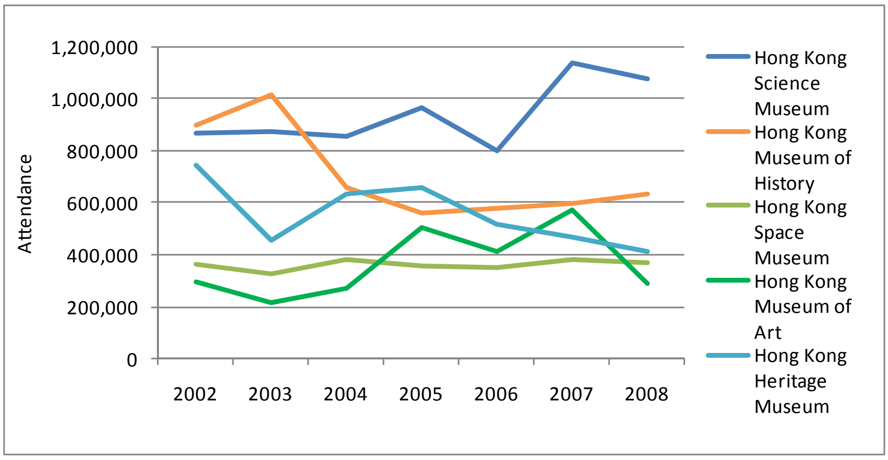
- Hong Kong Science Museum
- Hong Kong Museum of History
- Hong Kong Space Museum
- Hong Kong Museum of Art
- Hong Kong Heritage Museum

We completed interviews with key personal at each of the museums and collected data on operations, which includes in part, findings from the Opinion Survey 2008 on LCSD Museums completed by Mercado Solutions Associates Ltd. This section provides an overview of these findings. Please note that two other visual arts facilities, the Hong Kong Visual Arts Centre and Hong Kong Arts Centre, both have limited exhibition space that is largely hired out and as such will be included in the subsequent competitive environment section for EC. While not all the above facilities are dedicated to the visual arts, design, media arts, or popular culture, they are the current benchmark for large-scale cultural facilities in Hong Kong. For summary tables please see Table 27 through 32 at the end of this section.

Attendance Trends

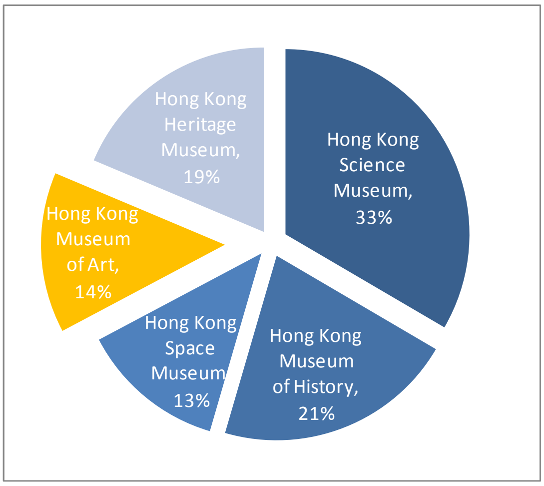
On-site attendance at the five major museums in Hong Kong has ranged over the last seven years from over 200,000 to over 1.1 million (see **Figure 10**). The Science Museum consistently receives the highest visitation, about 940,000, which was only surpassed in the first year after the Museum of History debuted its new permanent exhibit, "The Hong Kong Story" and reached attendance levels over 1 million. Attendance at the History Museum has stabilized around 600,000. Attendance to the Space Museum, which excludes theatre attendance, is consistently just less than 400,000. As the Hong Kong Heritage Museum ages (opened in 2000), visitation levels are leveling-off around 450,000. Attendance at the Hong Kong Art Museum is heavily dependent on the exhibitions schedule, ranging from 200,000 to just under 600,000.

Figure 10: Hong Kong Museums Total Attendance, 2002-2008



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Figure 11: Market Share of Top Five Museums



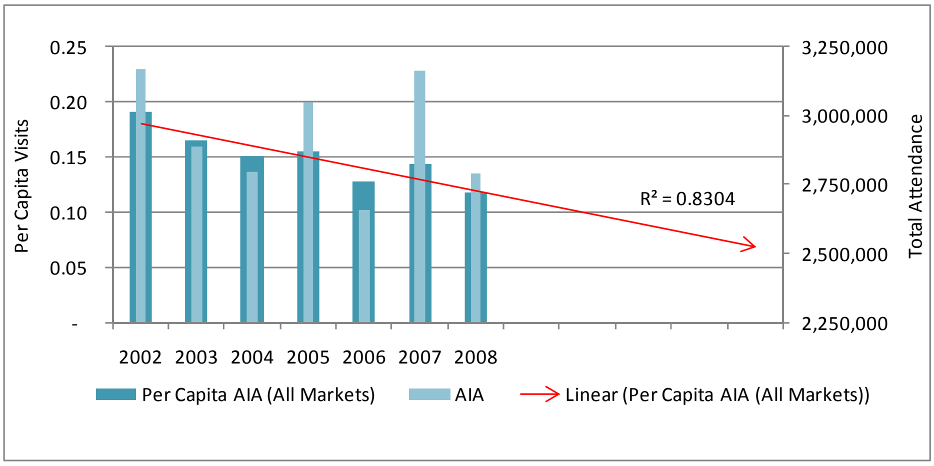
Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Based on stabilized attendance in the last five years, the Hong Kong Science Museum has the largest market share of total attendance to these museums at 33 percent (see Figure 11). The Hong Kong Museum of Art has the second lowest market share at 14 percent, only slightly more than the Space Museum market share at 13 percent.

Aggregate Institutional Attendance

ERA AECOM has also analyzed aggregate attendance to the five major Hong Kong Museums as it has changed relative to market size growth. On a per capita basis, aggregate attendance to these Hong Kong museums is falling precipitously (see Figure 12). This is largely due to the dramatic growth in the Chinese visitor market. Attendance at these museums has not grown proportionally to the growth in this visitor market, suggesting that most Chinese tourists are not visiting the area's museums.

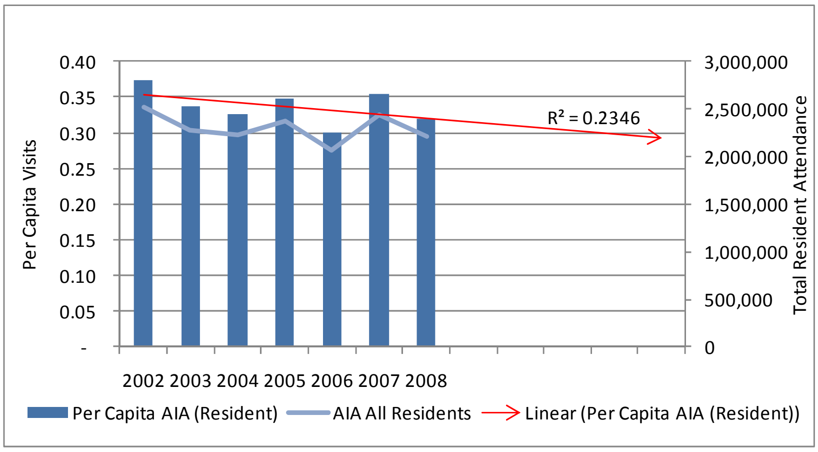
Figure 12: Aggregate Institutional Attendance and Per Capita Visitation for Total Market



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

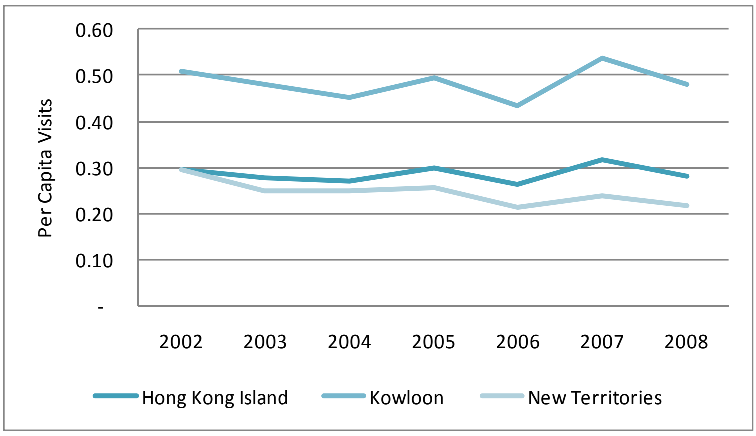
Results from calculations of per capita of resident attendance likewise suggest a downward trend, but are less conclusive with an R-squared of 0.24 (see Figure 13). This downward trend is likely attributed to surge-year attendance for the new permanent exhibit at the Hong Kong History Museum as per capita visitation has been consistently between 0.3 and 0.35 in the last five years. Per capita visitation is overall highest in the Kowloon market where most facilities are located.

Figure 13: Aggregate Institutional Attendance and Per Capita Visitation for Resident Market



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Figure 14: Per Capita Visitation by Resident Sub-Market



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Admission Fees

Admission fees to these five museums are all HK$ 10 for adults, expect the Hong Kong Science Museum which is more than double at HK$ 25 (See **Table 27**). All museums have aggressive discount programs for those who qualify for concessionary tickets as well as free Wednesdays. Typically special exhibitions and some permanent collection exhibitions have additional ticket charges.

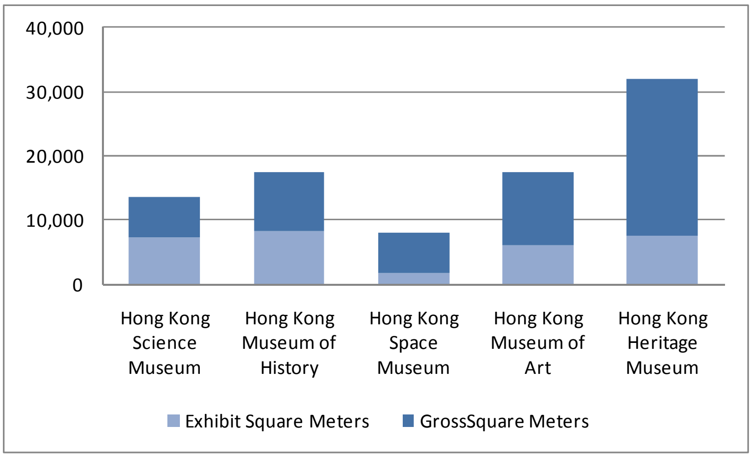
School Group Visitation

School group visitation to these museums comprises roughly 23 percent of total on-site attendance at Hong Kong's top five museums (see **Table 28**). If branch museum attendance is included for each of the museums, total school group visitation is much lower at 13 percent on average. The Hong Kong Museum of History receives the largest percentage of attendance from school groups at 40 percent, but the Hong Kong Science Museum surpasses the History Museum in actual numbers of school group attendance, reaching nearly 270,000. School group visitation to the art museum is a challenge in Hong Kong as the school curricula do not directly support the visual arts.

Facility Sizing

While gross sizing of these five museums varies widely between 8,000 and 32,000 square meters, exhibit square meterage is consistently 1,600 to 8,000 for all museums (see **Figure 15**).

Figure 15: Facility Size Characteristics



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

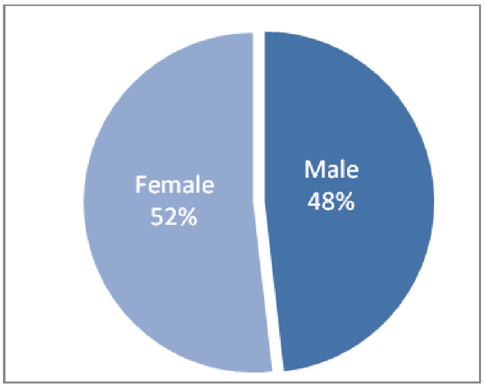
Operating Budget

Total operating budgets for these museums in Hong Kong average more than HK$ 62 million. On a per square meter bass for gross facility size, operating expenditures are highest at the Space Museum at HK$ 4,800 (see **Table 29**).

Visitor Profile

ERA AECOM has also reviewed the aggregated findings of all museums from the 2008 Opinion Survey on LCSD Museums completed by Mercado Solutions Associates Ltd. Relevant results for understanding the current museum visitor in Hong Kong are presented here.

Figure 16: LCSD Museums Gender Distribution



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

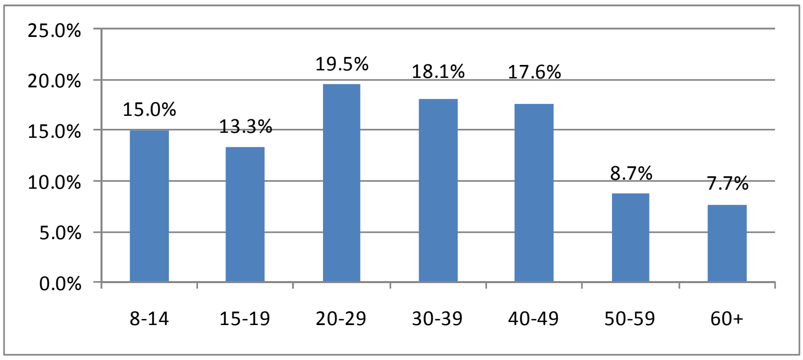
Gender Distribution

Visitors to the major Hong Kong museums are split evenly male and female. Females are 52 percent of total visitation and males the remaining 48 percent.

Age Distribution

Visitors to Hong Kong museums are 15 percent primary school aged, 8 to 14 years. Teenagers aged 15 to 19 years are currently 13 percent of total visitation. The largest category of visitation, at 20 percent, is persons in their twenties. Age groups in 30s and 40s likewise have strong percentages of total attendance. Seniors over 60 are a comparatively low percentage of total attendance at 7.7 percent.

Figure 17: LCSD Museums Age Distribution

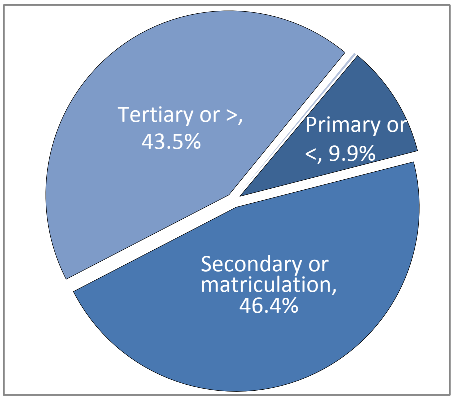


Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Education Levels

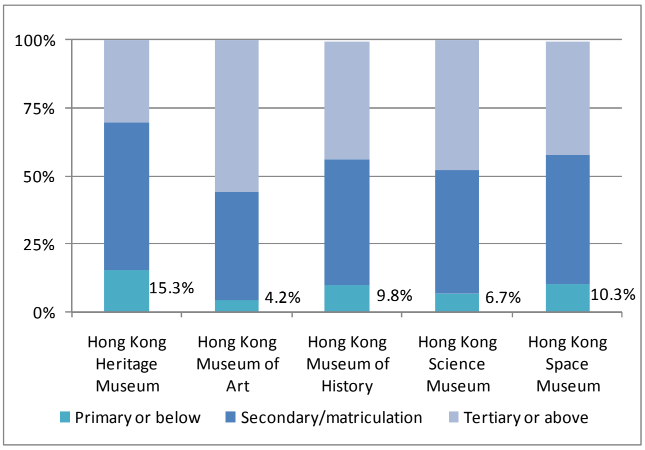
Education levels for museum visitors are generally high with only 10 percent having less than primary education. Education levels are particularly strong for the Hong Kong Museum of Art with only 4.2 percent having primary or below levels. The art museum also has the strongest percentage of visitors with tertiary education levels or above at 56 percent.

Figure 18: LCSD Museums Overall Education Distribution



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Figure 19: Education Distribution by Museum

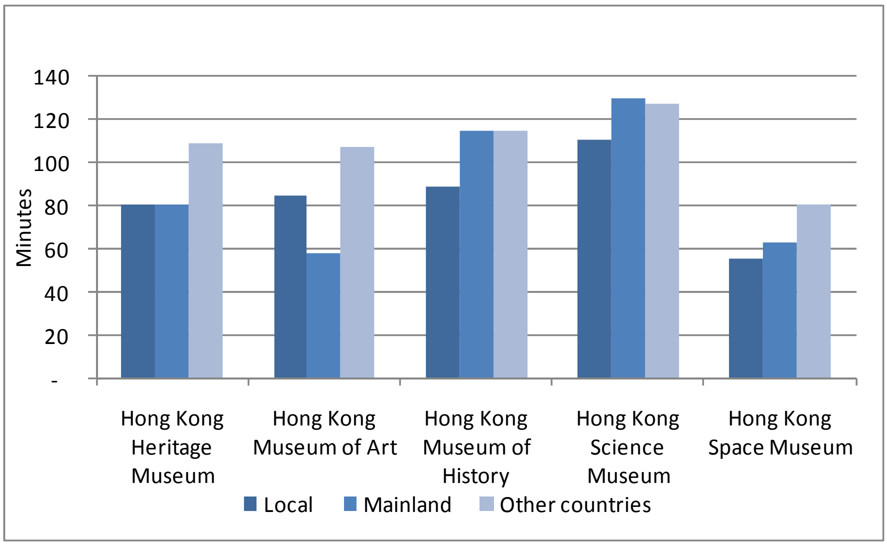


Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Average Length of Stay

The average length of stay for visitors ranges from one to two hours. Non-Chinese, overseas visitors have the longest length of stay of visitors to the Hong Kong Museum of Art at over 100 minutes. Mainland Chinese visitors stay the least amount of time at the art museum at just less than 60 minutes on average. Overall, the Science Museum has the strongest length of stay figures for locals, mainland Chinese, and other overseas visitors all above 100 minutes.

Figure 20: LCSD Museums Length of Stay

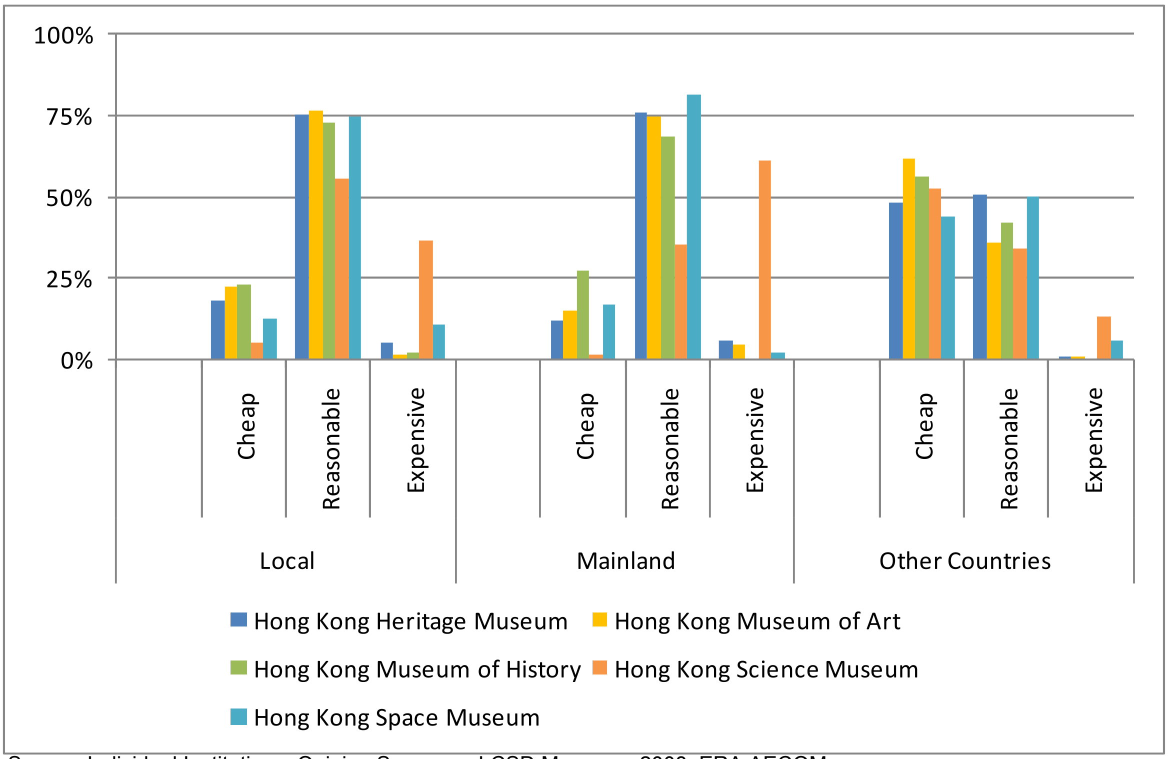


Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Visitor Perception of Admission Prices

When asked if admission prices to Hong Kong Museums were Cheap, Reasonable or Expensive, local and mainland Chinese visitors tended to respond that prices were reasonable, except for tickets to the Science Museum which were expensive. Visitors to other countries responded most consistently that prices were largely cheap or reasonable.

Figure 21: LCSD Museums Admission Prices Visitor Perceptions

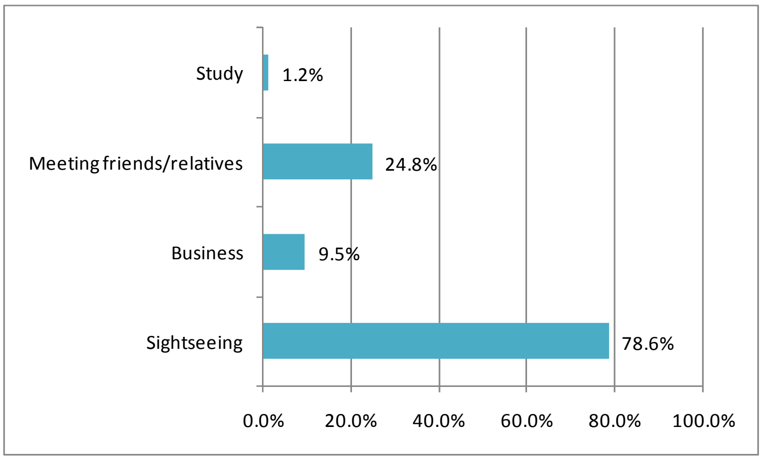


Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Purpose of Trip to Hong Kong

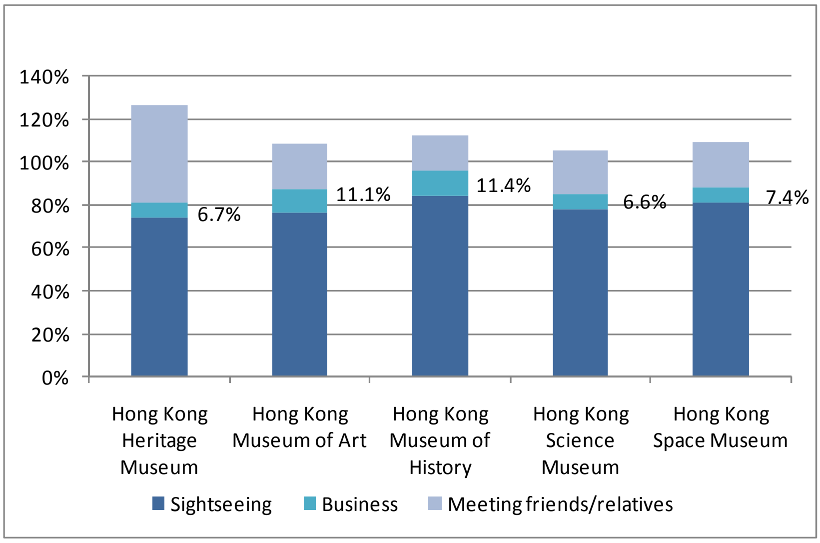
Most non-local museum visitors identified sightseeing as the primary purpose of their trip to Hong Kong. Approximately 10 percent of non-local visitors identified business as the reason for their trip to Hong Kong. Of the five major museums, the history and art museums receive the highest proportion of business travelers at 11 percent respectively.

Figure 22: LCSD Museums Non-Residents Purpose of Trip to Hong Kong



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Figure 23: Purpose of Trip to Hong Kong by Museum



Note: Totals exceed 100 percent due to multiple possible answers
Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Visitor Origin

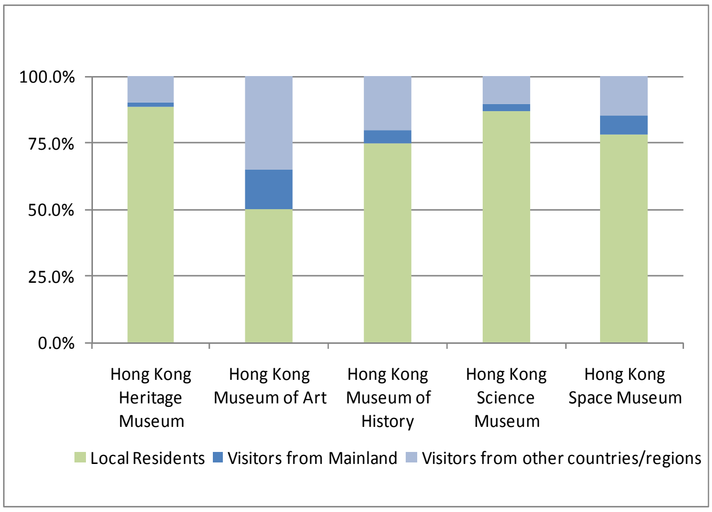
The LCSD Survey provides detailed data on visitor origin statistics for each of the museums. Origin data is available for residents from Kowloon, Hong Kong Island, and the New Territories. Tourists can be subdivided into mainland Chinese visitors versus other overseas travelers.

Overall, visitation to Hong Kong museums is largely (over 75 percent) resident market based (See Figure 24). The strongest percentage of residents is from where the museum is located. For instance, the largest percentage of resident visitation is from the New Territories for the Hong Kong Heritage

Museum. At the Hong Kong Science Museum the largest percentage of resident visitation is from Kowloon.

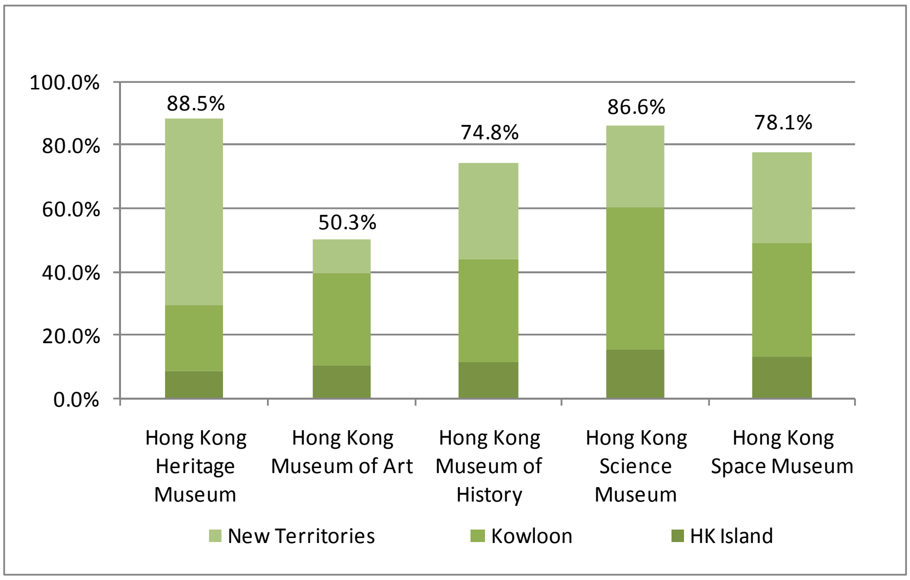
The Hong Kong Museum of Art is the exception with an even split of residents and tourists. Tourist visitation at the art museum is 15 percent mainland Chinese and 35 percent visitors from other countries. For all museums the largest proportion of tourists is non-Chinese travelers (see Figure 26).

Figure 24: LCSD Museums Visitor Origin Overview



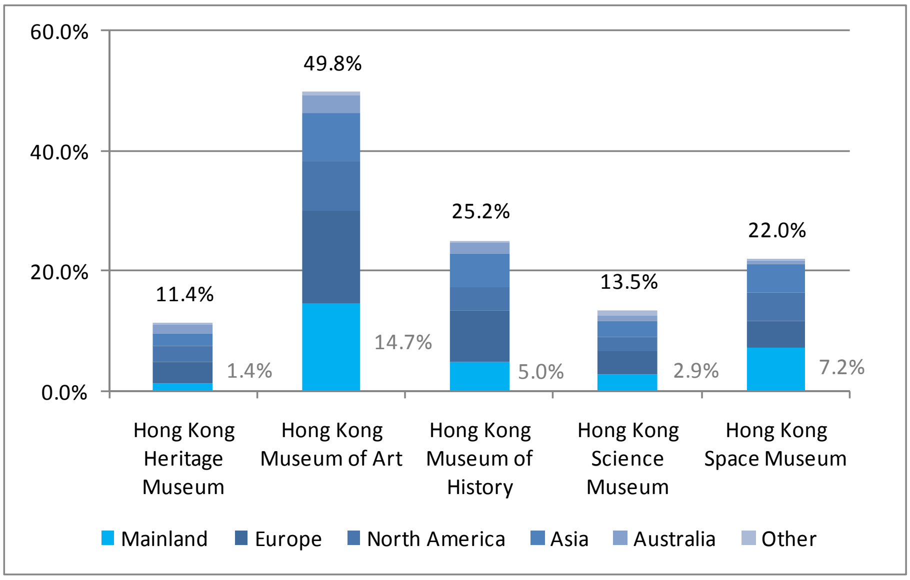
Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Figure 25: Resident Visitor Origin by Museum



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, **ERA AECOM**

Figure 26: Tourist Visitor Origin by Museum



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Penetration Rates

ERA AECOM calculated penetration rates for museums in the competitive market, considering sub-market penetration and the fluctuation in rates over the last 5 years.

Resident penetration for the five major museums in the Hong Kong Market has ranged over the last five years from 2 to near 15 percent (see **Table 24)**. On average resident penetration is highest at the Hong Kong Science Museum (12 percent) and lowest at the Museum of Art (3 percent). The overall five-year average for all five museums is 6.6 percent.

Table 24: Hong Kong Museums Resident Penetration Rates

Museums	2004	2005	2006	2007	2008	5 year Average
Hong Kong Science Museum	10.9%	12.3%	10.1%	14.3%	13.5%	**12.2%**
Hong Kong Museum of History	7.2%	6.2%	6.3%	6.5%	6.9%	**6.6%**
Hong Kong Space Museum	4.4%	4.1%	4.0%	4.3%	4.2%	**4.2%**
Hong Kong Museum of Art	2.0%	3.7%	3.0%	4.2%	2.1%	**3.0%**
Hong Kong Heritage Museum	8.2%	8.5%	6.6%	6.1%	5.3%	**7.0%**
Average	6.5%	6.9%	6.0%	7.1%	6.4%	**6.6%**

Source: Opinion Survey on LCSD Museums 2008, ERA AECOM

ERA AECOM found that resident penetration rates in all cases are highest in the resident submarket in which the museum is located and that rates generally fall by half from that in-situ market to the second closest market. The decline from second to third closest market is approximately one third of the change between the in-situ and second closest market.

Table 25: Hong Kong Museums Resident Penetration Rates by Proximity Tier

		Resident Penetration by Proximity			% Change by Tier	
Museum	**Location**	**In-Situ Market**	**Second Market**	**Third Market**	**In-Situ to Second**	**Second to Third**
Hong Kong Science Museum	Tsim Sha Tsui	23.9%	13.0%	7.8%	54.4%	60.0%
Hong Kong Museum of History	Tsim Sha Tsui	10.4%	5.6%	5.3%	53.6%	95.0%
Hong Kong Space Museum	Tsim Sha Tsui	6.7%	3.7%	2.9%	55.7%	78.0%
Hong Kong Museum of Art	Tsim Sha Tsui	4.2%	2.4%	0.9%	56.7%	36.0%
Hong Kong Heritage Museum	Sha Tin	6.8%	4.2%	2.8%	62.2%	67.1%
Overall Average		**10.4%**	**5.8%**	**3.9%**	**56.5%**	**67.2%**
Average Excluding Science Museum		**7.0%**	**4.0%**	**3.0%**	**57.0%**	**69.0%**

Source: Opinion Survey on LCSD Museums 2008, ERA AECOM

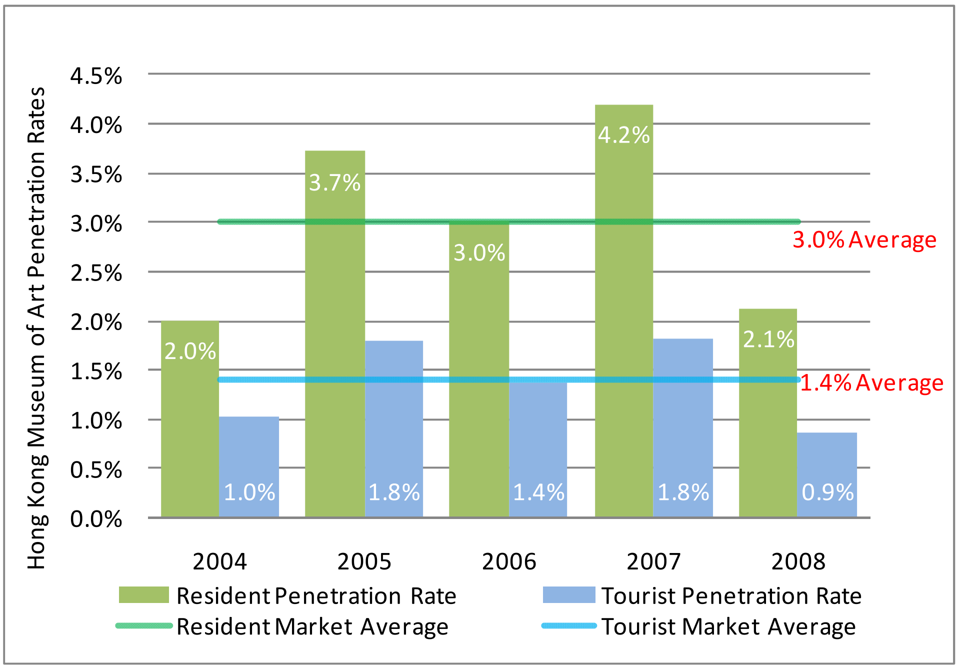
Tourist penetration rates are extremely consistent for museums in Hong Kong, ranging from 0.3 percent to under 2 percent. Overall the five-year average for all institutions is 0.9 percent (see **Table 26**). The Hong Kong Museum of Art achieves the best penetration into the tourist market at 1.4 percent on average (see Figure 27). Tourist penetration rates aside for the art museum appear to be generally declining.

Table 26: Hong Kong Museums Tourist Penetration Rates

Museums	2004	2005	2006	2007	2008	5 year Average
Hong Kong Science Museum	0.9%	0.9%	0.7%	1.0%	0.9%	**0.9%**
Hong Kong Museum of History	1.3%	1.0%	1.0%	1.0%	1.0%	**1.0%**
Hong Kong Space Museum	0.6%	0.6%	0.5%	0.5%	0.5%	**0.5%**
Hong Kong Museum of Art	1.0%	1.8%	1.4%	1.8%	0.9%	**1.4%**
Hong Kong Heritage Museum	0.5%	0.5%	0.4%	0.3%	0.3%	**0.4%**
Average	0.9%	1.0%	0.8%	0.9%	0.7%	**0.9%**

Source: Opinion Survey on LCSD Museums 2008, ERA AECOM

Figure 27: Hong Kong Museum of Art Penetration Rates



Source: Individual Institutions, Opinion Survey on LCSD Museums 2008, ERA AECOM

Summary and Implications:

- Attendance levels at Hong Kong Museums generally do not reach over one million, the exception being the Hong Kong Science Museum.
- Per capita visitation has not kept pace with rapid population growth and seems to be declining.
- Per capita visits are highest in Kowloon where most of the institutions are located.
- Admission prices are low and well below international averages
- There seems to be little infrastructure support for school group visitation to the art museum, which has the lowest percentage and actual number of school group attendance of the five major museums.
- All Hong Kong museums are similarly sized with about 6,000 exhibit square meters.
- Visitor surveys indicate the museum-going audience is generally well educated and resident based. Education levels are particularly high for the Museum of Art.
- Tourist visitation is strongest at the Hong Kong Art Museum.
- The penetration of museums into the Mainland Chinese visitor market is roughly half that of the overall visitor market.

Table 27: Competitive Market Attendance and Pricing Characteristics

				2009 Admission Fee		
Museum	**Location**	**Opened Current Location**	**2008 Attendance**	**Adult**	**Concessionary**	**Group**
Hong Kong Science Museum	Tsim Sha Tsui	1990	1,077,000	HKD 25.00	HKD 12.50	HKD 17.50
Hong Kong Museum of History	Tsim Sha Tsui	1998	634,000	HKD 10.00	HKD 5.00	HKD 7.00
Hong Kong Space Museum	Tsim Sha Tsui	1980	369,000 [1]	HKD 10.00	HKD 5.00	HKD 7.00
Hong Kong Museum of Art	Tsim Sha Tsui	1991	292,000	HKD 10.00	HKD 5.00	HKD 7.00
Hong Kong Heritage Museum	Sha Tin	2000	415,000	HKD 10.00	HKD 5.00	HKD 7.00
Average			**557,400**	**HKD 13.00**	**HKD 6.50**	**HKD 9.10**
Median			**415,000**	**HKD 10.00**	**HKD 5.00**	**HKD 7.00**

Source: Individual Institutions, Leisure and Cultural Services Department Annual Reports, Opinion Survey on LCSD Museums 2008, ERA AECOM

1: Excludes theatre attendance

Note: All attendance figures represent on-site only

Table 28: Competitive Market School Group Characteristics

Museum	Location	2008 Attendance	% School Groups	Estimated 2008 School Group Attendance
Hong Kong Science Museum	Tsim Sha Tsui	1,077,000	25%	269,250
Hong Kong Museum of History	Tsim Sha Tsui	634,000	40%	253,600
Hong Kong Space Museum	Tsim Sha Tsui	369,000	10%	36,900
Hong Kong Museum of Art	Tsim Sha Tsui	292,000	20%	58,400
Hong Kong Heritage Museum	Sha Tin	415,000	20%	83,000
Average		**557,400**	**23%**	**140,230**
Median		**415,000**	**20%**	**83,000**

Source: Individual Institutions, Leisure and Cultural Services Department Annual Reports, Opinion Survey on LCSD Museums 2008, ERA AECOM

Table 29: Competitive Market Physical and Operating Characteristics

Museum	Location	2008 Attendance	Gross Square Meters	Exhibit Square Meters	% Exhibit to Gross SM	Attendance per Exhibit SM	Exhibit SM per Person	Total Operating Budget	Operating Budget per GSM
Hong Kong Science Museum	Tsim Sha Tsui	1,077,000	13,500	7,250	54%	148.6	0.007	HKD 60,762,000	HKD 4,501
Hong Kong Museum of History	Tsim Sha Tsui	634,000	17,500	8,135	46%	77.9	0.013	HKD 59,343,000	HKD 3,391
Hong Kong Space Museum	Tsim Sha Tsui	369,000	8,110	1,600	n/a	n/a	0.004	HKD 38,797,000	HKD 4,784
Hong Kong Museum of Art	Tsim Sha Tsui	292,000	17,530	6,019	34%	48.5	0.021	HKD 68,411,000	HKD 3,903
Hong Kong Heritage Museum	Sha Tin	415,000	32,000	7,500	23%	55.3	0.018	HKD 84,187,000	HKD 2,631
Average		**557,400**	**18,000**	**6,000**	**39%**	**82.6**	**0.013**	**HKD 62,300,000**	**HKD 3,800**
Median		**415,000**	**18,000**	**7,000**	**40%**	**66.6**	**0.013**	**HKD 60,762,000**	**HKD 3,900**

Source: Individual Institutions, Leisure and Cultural Services Department Annual Reports, Opinion Survey on LCSD Museums 2008, ERA AECOM

Table 30: Competitive Market Resident Penetration Rates

			Visitor Origin				Resident Penetration Rates			
Museum	**Location**	**2008 Attendance**	**Total Resident**	**Hong Kong Island**	**Kowloon**	**New Territories**	**Total Resident**	**Hong Kong Island**	**Kowloon**	**New Territories**
Hong Kong Science Museum	Tsim Sha Tsui	1,077,000	87%	16%	45%	26%	13.5%	13.0%	23.9%	7.8%
Hong Kong Museum of History	Tsim Sha Tsui	634,000	75%	11%	33%	30%	6.9%	5.6%	10.4%	5.3%
Hong Kong Space Museum	Tsim Sha Tsui	369,000	78%	13%	36%	28%	4.2%	3.7%	6.7%	2.9%
Hong Kong Museum of Art	Tsim Sha Tsui	292,000	50%	11%	29%	11%	2.1%	2.4%	4.2%	0.9%
Hong Kong Heritage Museum	Sha Tin	415,000	89%	9%	21%	59%	5.3%	2.8%	4.2%	6.8%
Average		**557,400**	**76%**	**12%**	**33%**	**31%**	**6.4%**	**5.5%**	**9.9%**	**4.7%**
Median		**415,000**	**78%**	**11%**	**33%**	**28%**	**5.3%**	**3.7%**	**6.7%**	**5.3%**

Source: Individual Institutions, Leisure a Source: Individual Institutions, Leisure and Cultural Services Department Annual Reports, Opinion Survey on LCSD Museums 2008, ERA AECOM

Table 31: Competitive Market Tourist Penetration Rates

			Visitor Origin			Tourist Penetration Rates		
Museum	**Location**	**2008 Attendance**	**Total Tourist**	**Mainland**	**Other**	**Total Tourist**	**Mainland**	**Other**
Hong Kong Science Museum	Tsim Sha Tsui	1,077,000	14%	3%	11%	0.9%	0.4%	1.2%
Hong Kong Museum of History	Tsim Sha Tsui	634,000	25%	5%	20%	1.0%	0.4%	1.3%
Hong Kong Space Museum	Tsim Sha Tsui	369,000	22%	7%	15%	0.5%	0.4%	0.6%
Hong Kong Museum of Art	Tsim Sha Tsui	292,000	50%	15%	35%	0.9%	0.6%	1.1%
Hong Kong Heritage Museum	Sha Tin	415,000	11%	1%	10%	0.3%	0.1%	0.4%
Average		**557,400**	**24%**	**6%**	**18%**	**0.7%**	**0.4%**	**0.9%**
Median		**415,000**	**22%**	**5%**	**15%**	**0.9%**	**0.4%**	**1.1%**

Source: Individual Institutions, Leisure and Cultural Services Department Annual Reports, Opinion Survey on LCSD Museums 2008, ERA AECOM

Table 32: Competitive Market Penetration Rates 2008 and Five-Year Averages (2002-2007)

		Resident Market Penetration		Tourist Market Penetration	
Museum	**Location**	**2008**	**5 Year Average**	**2008**	**5 Year Average**
Hong Kong Science Museum	Tsim Sha Tsui	13.5%	12.2%	0.9%	0.9%
Hong Kong Museum of History	Tsim Sha Tsui	6.9%	6.6%	1.0%	1.0%
Hong Kong Space Museum	Tsim Sha Tsui	4.2%	4.2%	0.5%	0.5%
Hong Kong Museum of Art	Tsim Sha Tsui	2.1%	3.0%	0.9%	1.4%
Hong Kong Heritage Museum	Sha Tin	5.3%	7.0%	0.3%	0.4%
Average		**6.4%**	**6.6%**	**0.7%**	**0.9%**
Median		**5.3%**	**6.6%**	**0.9%**	**0.9%**

Source: Individual Institutions, Leisure and Cultural Services Department Annual Reports, Opinion Survey on LCSD Museums 2008, ERA AECOM

VI. Case Studies

M+ International Case Studies

ERA AECOM has reviewed the following Museums as M+ Case Studies:

Asia

- National Museum of Singapore
- Mori Art Museum
- Museum of Contemporary Art, Tokyo
- Guangdong Museum of Art
- Macau Museum of Art
- Taipei Fine Arts Museum
- Australian Centre for Moving Image

Europe

- Tate Modern
- Centre Pompidou
- Guggenheim Bilbao
- Museum Island
- ZKM
- Pinakothek der Moderne

USA

- Museum of Modern Art
- The Art Institute of Chicago

National Museum of Singapore

Background

The National Museum of Singapore, one of four museums part of the government's National Heritage Board (NHB), was founded in 1887 and is the oldest museum in Singapore. The museum is located on the border of Fort Canning Park, surrounded by Singapore Management University facilities. The other NHB museums—Singapore Arts Museum, Asian Civilizations Museums, and National Archives of Singapore are all located nearby in the Fort Canning Park Civic and Cultural District.

Physical Characteristics

Designated as a cultural icon and the people's museum, this facility was renovated and expanded in 2003, opening in 2006 with double capacity. It is Singapore's largest museum with 20,900 gross square meters of which 6,000 square meters are dedicated to exhibitions. The facility also includes:

- 2,000 square meters for back-of-house operations

- 1,200 square meters of food/beverage and retail amenities
- Museum includes 4 food and beverage outlets ranging from café to formal dining
- The retail shop is run by Banyan Tree and features design books alongside a range of museum-inspired merchandise
- Gallery Theater- 300-square-meter hybrid cinema/black box theater (247 seats)
- The Atelier- small space for festivals, events, travelling exhibitions and one local exhibition annually
- Resource Center
- The Lab- workshops space
- Public Sculpture Garden

The 2006 expansion was completed at a cost of S$79 million with the assistance of the Urban Redevelopment Authority. The expansion was a collaboration of CPG Consultants (formerly a government agency known as the Public Works Department, privatized in 2003) and W Architects, led by Mok Wei Wei. In the first year of operations the museum was awarded Best Re-invented Attraction Award 2007 by the Association of Singapore Attractions.

Content, Collections, Exhibitions and Programs

The museum prides itself on introducing cutting-edge and varied ways of presenting history to redefine the conventional museum experience. The museum focuses on Singaporean history from 14th century to the present with about 80 percent of content historic. The museum uses art, technology and popular culture to present the complexities of the country's past and the layered, multicultural identity of its people. The History Gallery (2,800 square meters) employs state-of-the-art modes of presentation and narrative approaches inspired by contemporary film, installation and theatre to tell the Singapore story. Other permanent galleries, such as the Singapore Living Galleries (1,321 square meters), are separated into four themes: Fashion (Shopping for Identity), Food (Eating on a Street), Film (Scripting a New Life), Photography (Framing the Family). Permanent exhibits will be refreshed every 3-4 years. Exhibition Galleries 1 and 2 (1,200 square meters) can easily be combined into the largest all-purpose indoor exhibition space in Singapore and host temporary exhibitions such as the 2006 Singapore Biennale.

Attendance and Visitor Origin

Visitation to all the NHB museums has increased by 38.8 percent from FY2006 to FY2007 from 1.3 million to a record 1.9 million. Participation in NHB outreach activities has grown to over 4 million. Visitation to the National Museum ranged from 200,000 to 300,000 before the redevelopment. In the first full year of operations after the expansion, attendance was 750,000, far exceeding the management's hope to double previous attendance levels. In 2008, attendance reached 850,000, of which paid attendance represented 33 percent which included free exhibitions, concerts, and screenings. School groups account for one-third of total attendance. The length of stay for visitors is approximately 2 hours, and 1 hour for tour group visitors.

Management estimated that 75 to 80 percent of visitors are from Singapore and the remaining 20 to 25 percent are international tourists primarily from Japan, Mainland China, Europe, and the United States.

Membership

The museum has a new membership program with just 200 individual level members and an additional 100 corporate members, who need membership status in order to use rentable space. Membership fees start at S$50 for individuals.

Financial Profile

Financial information was not available for the National Museum as it is not separated from all operations of the NHB. Management did indicate that earned income accounts for less than 10 percent of total operating expenses. Facility rentals are an important component of earned income as the museum hosts 2 to 3 events per week. The museum has a full-time staff of 80 persons.

Admission to the museum is S$10 for adults, and S$5 for seniors, children, and students. Admission to all galleries is free on Mondays, temporary exhibitions are ticketed separately at S$8 for adults.

Marketing

The museum's marketing staff of 6 to 7 members has additional staff at the NHB level. Marketing emphasis is on the one large temporary exhibit hosted annually as well as on general public relations. In addition, the Hospitality department has a booking sales team of 10-11 staff. No estimate of the museum's marketing budget is available.

Mori Art Museum

Background

The Mori Art Museum opened in October 2003 in Roppongi Hills, Tokyo. It is located in Mori Tower on the 52nd and 53rd floors and considered by Mori Minoru, founder and CEO of the Mori Building Company, to be the "jewel in the crown" of the development. The museum is easily accessible via public transportation in Tokyo, with a distinct entrance from the base of the tower in the ground floor and adjacent shopping complex.

The Mori Art Museum is part of the Mori Art Center at Mori Tower, which also includes the Mori Arts Center Gallery--rental space used for events, Tokyo City View—an observation deck, Roppongi Hills Club—an exclusive club with eleven restaurants under one management, Roppongi Academy Hills—a school, library, forum, and research network dedicated to urban culture in Roppongi Hills, Mori Arts Center Museum shop, and the Mori Arts Center Administration. Income generation from the rental gallery and ticket sales to the observation deck subsidize the museum, which also receives support from the Mori Building Corporation and Arts Center organization.

Physical Characteristics

The museum is ticketed in conjunction with Tokyo City View, the observation deck. The museum is situated in the center of the building, allowing for window access for the observation deck. The museum, a building within a building, was designed by Gluckman Mayner Architects and the development cost associated with the building is difficult for staff to estimate. Exhibition space at the Mori Art Museum is 2,153 square meters.

Administrators understand this layout as having two distinct opportunities: 1) a marketing and education opportunity for visitors who will gladly visit an observation deck, but are less likely to attend a contemporary art museum; 2) the layout maximizes physical space for the different needs of museum and observation deck facilities.

Content, Collections, Exhibitions and Programs

The museum began collecting contemporary art from the Asia-Pacific region in 2005, with a particular emphasis on Japan, Korea, and China. In total, about 50 percent of the collected 158 items are of Japanese origin. The annual acquisitions budget is approximately US$ 600,000. The collection has also been augmented by additional gifts from the Mori Building Company, including works by Le Corbusier, Hiroshi Sugimoto, and Takashi Murakami. At this point the museum does not organize shows from the permanent collection as it is still too limited; the exception was a small show of selected works exhibited in 2008 in parallel with works from the UBS Art Collection. There are currently no plans for a designated permanent gallery.

The museum organizes approximately 3-4 exhibitions per year. The circular gallery space is difficult to arrange into separate galleries with adequate flow so the museum has decided to emphasize large, strong curatorial shows. Exhibitions in 2008 included: Annette Messager: The Messengers, which was organized in collaboration with Centre Pompidou, History in the Making: A Retrospective of the Turner Prize, organized by Mori Art Museum, Tate Britain, British Council, The Asahi Shimbun, Art is for the Spirit: Works from the UBS Art Collection, made possible with partnership from UBS, and Roppongi Crossing 2007: Future Beats in Japanese Contemporary Art, organized in-house.

The museum offers a range of programs including guided tours for schools, seniors, the handicapped, and buggy tours for moms as well as other symposia three times throughout the year. Attendance to programs in 2008 totaled 6,400 with an average of nearly 1,300 persons per exhibition.

Attendance and Visitor Origin

Since opening, the museum and observation deck have reached a cumulative attendance of over 6.65 million. Attendance is tracked by exhibition and was highest for the inaugural exhibition in 2003-4. After 2004, when attendance reached over 2 million, attendance fell to less than 900,000 and has steadily grown to 1.3 million in 2008. School groups in 2008 accounted for 0.5 percent of total attendance. High attendance figures, especially on a per-exhibit-square-foot basis, are a result of the joint observation deck ticket. Operating hours for the Mori Museum of Art are also extended as compared to typical museums, from 10:00-22:00 (17:00 on Tuesdays), based on the strategic position organizers envisioned for the museum to be accessible and a key nightlife attraction in Roppongi. Administrators noted that when the facility first opened, the observation deck operated at capacity, but has since fallen off. In contrast, the museum galleries see more traffic now than when first opened.

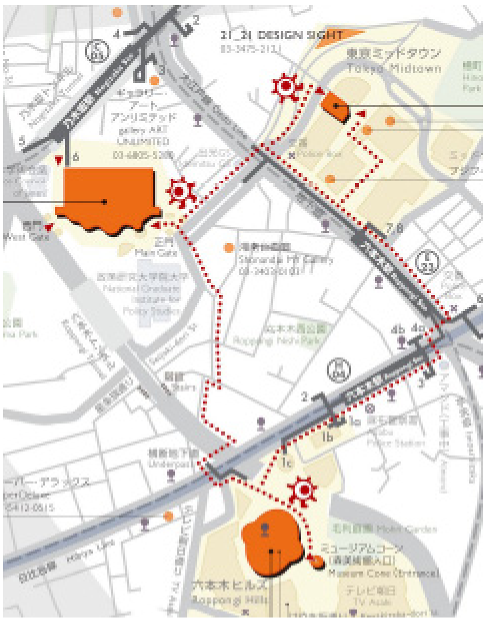
The museum does not track visitor origin data on ticket sales, but estimates that many visitors are from Taiwan, Korea, Hong Kong, and China. The museum has found that 7 to 8 percent of catalog sales are non-Japanese. Given the wide tourist appeal of the observation deck, ERA AECOM estimates that approximately 60 percent of visitors are tourists and the remaining 40 percent are residents of Tokyo.

Membership

The museum organized a membership program, Mori Art Museum Contemporary (MAMC), at opening and offers two major categories of membership—corporate and individual. Approximately 40 corporate memberships in the four available categories (Diamond, Platinum, Gold, and Silver) provides from USD $300,000 to $400,000 in revenue annually, of which only 30 percent goes to museum operations. The museum has approximately 1,000 individual memberships from three levels of support (Benefactor, Fellow, and Friend) which provides a modest amount of income for the museum. In addition, the museum operates a separate support program, with approximately 300 participants, where all revenue generated directly supports the museum.

Financial Profile

The museum is operated by a Board of Trustees, run by founder Mori Minoru, and an International Advisory Committee who oversees a museum director. There are approximately 50 staff members, with an additional 100 guards who are part-time and/or volunteer art students. The total operating budget for the museum is US $20 million. Approximately US $8 to $10 million is spent in rent and utilities to the Mori Building Company, with the rest spent on staff, exhibitions, programs, etc. The museum earns half of the required budget in revenue (ticket sales, memberships, lease income for restaurant spaces, etc.) The remaining US $10 million is gifted from the Mori Building Company. Other sponsorships are minimal and depend on the exhibitions program.



Marketing

The total marketing budget per annum is from US $200,000 to $300,000 or approximately 1.5 percent of the overall budget. Aside from paid advertising and public relations outreach, the museum has brokered a deal with bus tour providers, who receive 15 percent of ticket sales for organized groups.

Roppongi Art Triangle (ARTo)

The opening of the National Art Center, Suntory Museum of

Art, and 21_21 Design Site in 2007, has created a new opportunity for collaboration in the district. The triangular orientation of these facilities with the Mori Art museum inspired the name, and joint initiatives along with collaborative programs have begun promoting this area as a new center for art and culture in Tokyo. The first initiative was producing the Art Triangle Roppongi Map available since the 2007, which provides walking instructions to move from one institution to another. It is updated twice annually and includes exhibition schedules. It is distributed widely at the partnering institutions, other cultural facilities, colleges, tourist information centers, and hotels. The institutions of ARTo also offering a savings program which provides visitors discounted admission to exhibitions at any of the facilities with a ticket stub of a current exhibition at one of the institutions. Partnered events last year included the art walk, where the institutions opened late and hosted evening programs and festivities.

ERA AECOM also collected information where interviews were available with the cultural institutions of ARTo. Brief details on operations at these other facilities are outlined below.

- *National Art Center, Tokyo*

  Opened in 2007, to support Tokyo's artist associations and provide additional exhibition space. The center hosts temporary exhibitions arranged by the associations as well as approximately 7 in-house exhibitions, ranging from experimental shows on contemporary art to larger blockbusters planned in partnership with outside organizations. The facility, designed by Kisho Kurokawa, includes 14,000 square meters for exhibitions. Attendance to shows at the facility was 3.1 million in the first year of operations and 2.3 million in the second. Visitation is about 90 percent from Japan. The facility earns one-third of the annual operating budget, ¥1.5 billion, with earned income, the remainder is received as a government disbursement. Admission prices to exhibitions are variable.

- *21_21 Design Site*

  Opened in 2007 by Issey Miyake as an experimental exhibition venue for design shows adjacent to Tokyo Midtown. The structure, designed by Tadao Ando, includes approximately 1,700 square meters of total area and nearly 600 square meters of exhibition space. Attendance to the facility has ranged from 100,000 to 200,000.

- *Suntory Museum of Art*

  Also opened in Tokyo Midtown in 2007, in a new facility designed by Kengo Kuma. Gross square meterage is 4,700 square meters, with about 1,000 square meters dedicated to exhibition space. Features the museum's 40-year-old collection of 3,000 objects including paintings, lacquerware, ceramics, and glass.

Other Partnerships: Museum Link Pass

The museum has another initiative with the 21st Century Museum of Contemporary Art, Kanazawa in the Ishikawa Prefecture, and the Benesse Art Site Naoshima in Kagawa, which was launched in 2005. Directed at fans of contemporary art, the museum link pass and accompanying leaflet are available at each of the organizations. The pass, which is stamped at entry, provides discounted admission. Visitors who earn stamps at all three organizations in one year receive a free gift. The three museums were all founded around the same time with the shared focus on international perspectives for modern and/or contemporary art. The pass was designed to encourage art fans to plan cultural trips across Japan.

Lessons Learned

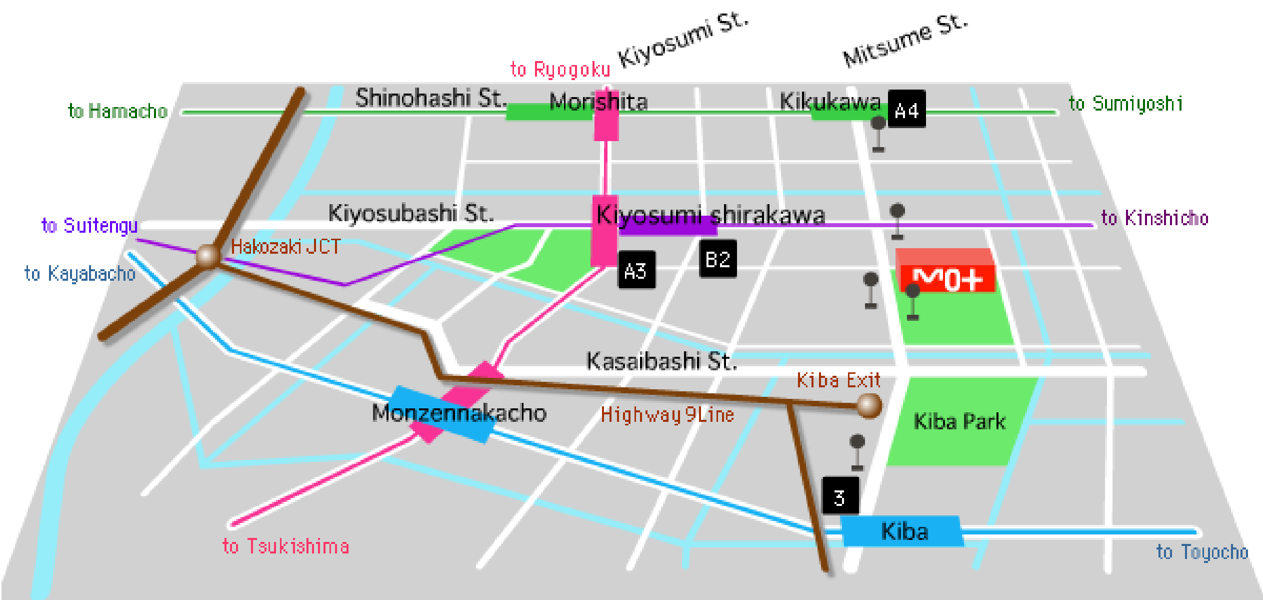
The Mori Art Museum Director, Nanjo Fumio, had the following recommendations for the WKCDA based on his experience in Tokyo:

- Museums are a service industry that have to provide reciprocal benefits for support
- It's important to decide what the museum will be before appointing a building architect, so the building will follow the program needs and not vice versa
- It's important to have a director for the museum as soon as possible
- Need someone to "produce" the museum, promote the plans and exhibitions—even to sell the exhibitions to other institutions
- Regardless of the ultimate physical space, an interesting program is critical
- The museum program should be plugged into the interests of the people
- Could add institution to teach artists language of critical discourse and art professionalism (presentation skills) for bridging art practice to the public
- Education institution could also serve the needs of future art administrators given the estimate that Asia will have 1,000 museums in the next 20 years and a dearth of administrative professionals
- Providing education system will generate audience and future supporters

Museum of Contemporary Art, Tokyo

Background

The Museum of Contemporary Art, Tokyo (MOT) was opened in 1995 by the Metropolitan government and is located next to Kiba Park in Tokyo's Koto ward, an Edo period neighborhood reenergized by the museum and green space. The museum is within a short walk of a variety of public transportation stations and has parking on site for visitors arriving by car.



Physical Characteristics

The building, designed by architect Takahiko Yanagisawa, was constructed at a cost of US$ 460 million. It features outdoor plazas and gardens that are well integrated with the urban park, a large interior lobby that spans the length of the building, and separate wings for temporary exhibitions and shows organized from the permanent collection. Total floor area is 23,780 square meters, with a total 7,400 square meters for galleries. Of total gallery space, 58 percent is dedicated to temporary shows. The museum also includes:

- An art library with approximately 95,000 volumes pertaining to art as well as exhibition catalogs, domestic and foreign periodicals, arts related clippings and micro preserved data
- A museum shop of nearly 130 square meters, which was recently renovated to attract museum visitors nearer the permanent collection galleries
- A Café on the top floor, designed to appear as though floating
- A restaurant on the ground floor
- Exterior gardens and terraces that feature large-scale sculptures outdoors

Content, Collections, Exhibitions and Programs

At the museum's founding, the Tokyo Metropolitan Museum's collection of Japanese modern art was gifted to this new institution. In the first few operating years, the museum spent an acquisitions budget of US$ 100 million, collecting masterpieces of contemporary art. The museum specializes in Japanese contemporary art and is currently broadening its focus to collect all contemporary Asian art. The collection now has included about 4,000 pieces and the annual acquisitions budget has returned, after the downturn in the early 2000s, to approximately US$ 1 million.

On average, the museum features 6-8 exhibitions per year. Exhibitions in the temporary galleries may be traveling exhibitions or organized in house, while the MOT Collection in the permanent galleries is a continuing series of exhibitions using works from the collection to make contemporary art more understandable to visitors. Larger temporary shows are organized, at times in cooperation with mass media companies, to reach attendance targets set by the government. These more popularized shows are balanced with a range of smaller, curatorial- focused exhibitions or those aimed at supporting the work of emerging Japanese artists, such as MOT Annual.

Programs at the museum include education programs and lectures for students visiting the museum as part of an art class or integrated course study, gallery talks, workshops, a lecture series, and behind-the-scenes tours.

Attendance and Visitor Origin

Attendance to the museum in 2008 was 343,800 and typically ranges between 300,000-400,000. Last year, approximately 75 percent of total attendance was paid and less than 1 percent was school groups. Other groups, both general and the elderly were a similarly small percentage of attendance.

Staff estimated that approximately 50 percent of visitors were from greater Tokyo, the majority of the remaining visitors from the rest of Japan with about 2 percent from overseas.

Membership

The museum operates an active membership program with over 20,000 members. The individual member fee is ¥1,500. There is also a small group (5-6 persons) of support members whose lowest level of contribution of ¥10,000. While these membership programs form the support base for contributions, attendance and operations, management staff indicates that it is a challenge to attract and entertain donors without development department staff.

Financial Profile

MOT is operated by a museum foundation by permission of the government. Recently, with the privatization of many social services, the foundation lobbied for and won the contract to operate the museum for another eight years. Annually, the government disburses US$ 6 million for salaries and building operations (i.e. utilities, maintenance) and another US$ 500,000 for collections care and permanent exhibitions. The museum earns on average US$ 2 million from earned income opportunities (i.e. admissions, parking, lease agreements/profit sharing for food and beverage services, etc.) for temporary exhibitions. The total operating budget is US$ 8.5 million. The museum staff is approximately 30-35 persons, which includes eight temporary exhibitions curators, 4 permanent collections curators, 3 education curators, 3 press officers, 10 administrators, plus the Chief Curator, Deputy Director (government appointee) and Director (government appointee). Personnel are a mix of government and foundation members.

Admission to the museum is ¥500 for adults, ¥400 for University Students, ¥250 for High School students and seniors, and free for younger students and children. Some temporary exhibitions have separate tickets typically ¥1,200 for adults.

Marketing

MOT has no marketing department per se, but employs 3 press officers. Marketing activities are limited by the government affiliation and no specific information on budget allocation is available.

Lessons Learned

Our primary point of contact at the museum, Chief Curator Yuko Hasegawa, recommended that WKCD consider the success of the 21st Century Museum of Contemporary Art, Kanazawa.

Guangdong Museum of Art

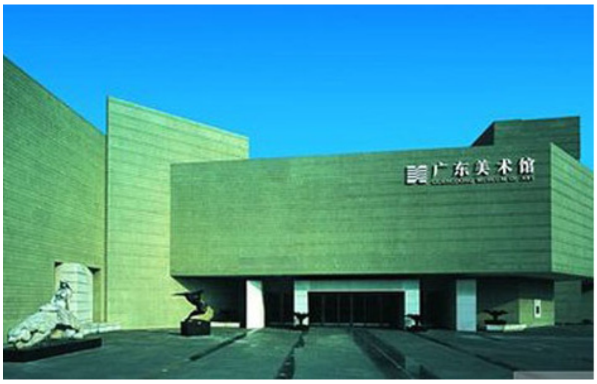
Background

The Chinese Government opened the Guangdong Museum of Art in 1997 after nearly ten years of planning. Owned and operated by the government, the museum is located on Er-sha Island on the Pearl River, accessible via bus lines in Guangzhou. It is the only museum in China awarded a 4A rating from the National Tourism Board.

Physical Characteristics

The Museum, which was built at a cost of RMB 300 million, includes 22,000 square meters of gross space, of which 8,000 square meters are used for exhibitions. The museum features 12 exhibition halls (on average 400 square meters each) as well as:

- 2 outdoor sculpture halls (not included in total exhibition space)
- On-site storage (1,500 square meters)
- 2 western style restaurants
- Bar/tea house
- Multi function room (180 seats)
- Library (1,300 square meters--40,000 art volumes)
- Rentable space (1,000 square meters rented to arts related uses, primarily media/design companies as well as two commercial art galleries)
- Three studios for artists (400 square meters each—painters/printmakers invited to use live/work facilities)
- 6 classrooms (400 square meters) for art training
- Administration/meeting space



Content, Collections, Exhibitions and Programs

The museum's collections and exhibitions are focused on modern and contemporary art from, in descending order of priority, Guangdong, Coastal China, China, and around the world. At times the museum may host exhibitions of antiquities. Museum indicated that key strength is collection of modern and contemporary art, and in particular photography. The collection included 34,000 objects in total, of which about 22,000 are photographs. Over the first twelve years of operations the government has spent approximately RMB 40 million on acquisitions supplemented by a considerable portion donated to the museum with artist exhibitions.

The museum organizes and hosts around 60 exhibitions throughout the facility annually. Two recurring exhibitions, the Guangzhou Triennial (ongoing for 9 years) and the Guangzhou Photography Biennial (ongoing for 6 years) are the most famous. Approximately 10 to 15 foreign exhibitions are organized annually in partnership with embassies or other institutions. This museum was also the first in China to have interpreters in the galleries. Volunteers, who are largely art students, are also involved with the museum, offering free tours to visitors on weekends.

Attendance and Visitor Origin

Over the last three years, the museum has averaged 240,000 to 250,000 visitors annually. Approximately 50 percent of visitors are full paying attendees. The museum, which encourages visitation by locals, offers more discounts than the government mandates. School group attendance is negligible, as arranging school trips is difficult without government support of art education. 80 to 90 percent of museum attendees are between the ages of 20 to 45 years old. Tour group attendance accounts for 8 percent of total attendance. Tour groups receive discounted admission with partnering agencies. Management commented that the free day, scheduled once per month, is very crowded, but likely attributed to access to air-conditioning.

Management staff also estimate that attendance is at least 80 percent from Guangzhou. The rest, who are typically from the province, are often art school students or drawn to the facility by larger exhibitions. Overseas visitors account for less than 5 percent of total attendance.

Membership Program

The museum operates a Friends of Guangdong Museum of Art membership program which is popular with foreigners at the nearby international school, embassy personnel, and other expats. The annual fee is RMB 450 for individuals. The museum also offers an annual ticket for RMB 300 which is more popular with locals. The number of members in the Friends program was not available.

Financial Profile

The museum operates with a budget of approximately RMB 23 million, receiving a RMB 18 million disbursement from the government and the remaining RMB 3 million through earned income. Details of the annual disbursement are as follows:

- RMB 2.5 million exhibitions
- RMB 7 million for collections/acquisitions
- RMB 4.6 million maintenance and utilities
- RMB 400,000 for security (outsource service for guards)
- Salaries and marketing are the remainder and can vary by year.

The government limits the number of employees to 65 persons; expenses are capped as the museum is funded by tax revenue and in their opinion does not generate economic benefit. The government defines the museum’s functions as collection, exhibition, research, education, community outreach/service and cultural exchange and only fund positions in these art and cultural categories. Current staffing, however, is 120 persons, the extra members paid with the on-site space rentals that bring in an extra RMB 3 million. Earned income also covers marketing expenses which are highly variable based on the exhibitions program. Museum departments include: research & planning, collections, exhibitions, public education (public relations), art training, development, information, and public relations related to overseas cultural exchange.

Admission to the museum is RMB 15 for adults, RMB 7 for students and teachers, RMB 10 for groups more than 20, and free for seniors over 65 years of age.

Marketing

The museum has no staff dedicated to marketing, instead having a public relations team which oversees the exhibition loans/cultural exchange program. Other marketing responsibilities, tour sales and public education/outreach, are handled in various departments. No overall marketing budget is available. Paid advertising for exhibitions varies widely by year, but costs are generally as follows for the different kinds of paid exposure:

- RMB 1,500 for ads/press releases on all newspapers for exhibitions
- RMB 40,000 – 50,000 for larger paid advertising on TV/public transportation
- RMB 3,000-4,000 for smaller paid advertisements

- Free promotion with co-organizer such as Phoenix TV

Lessons learned

General Secretary Zhu Haohua, offered the following suggestions for WKCDA based on his experience at the Guangdong Museum of Art:

- Will be important to integrate both the mass public interest and more elite art culture of Hong Kong into the planned museum
- Exhibitions on local culture are important and thinks popular culture will be an attractive theme
- The museum will need to do something unique to distinguish itself, no matter the size
- Thinks the planned scale for M+ is good

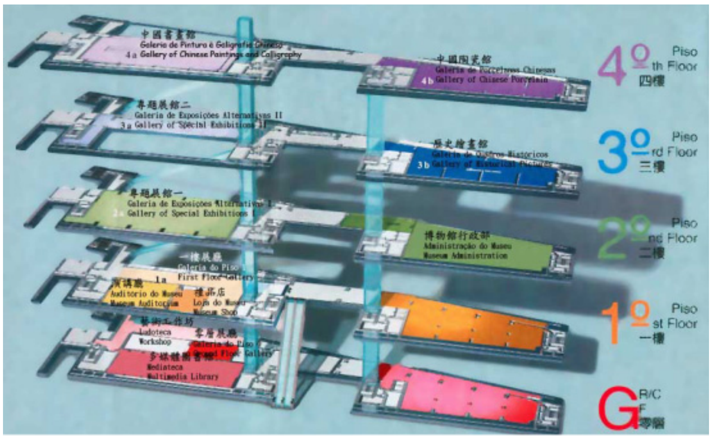
Macau Museum of Art

Background

The Macau Museum of Art, which is under the Civil and Municipal Affairs Bureau of the Macau Government, opened in its current location adjacent to the Macau Cultural Center in 1999. The Cultural Center includes performance facilities, space for creative industries, and other amenities. The museum works closely with other city museums, participating in the annual "Macau Museum Day" with free admission and a range of special activities. Five bus routes provide easy access to Cultural District, a key destination for visitors to Macau.

Physical Characteristics

The museum is comprised of five floors totaling 10,192 square meters of which approximately 4,000 square meters is dedicated to exhibitions. There are five exhibition rooms for the permanent collection and two galleries for temporary shows. Permanent exhibitions galleries are separated by collection focus (i.e. Chinese painting, calligraphy, and China ceramics). The museum also includes an auditorium with seating for 108 persons, a multimedia library, a gift shop, café/coffee shop (currently closed for building process), workshop area, storage, and administration spaces.



Content, Collections, Exhibitions and Programs

The museum's mission is to conserve local traditional culture/art and promote art development locally and in the nearby region. The museum wants to facilitate cultural exchange between East and West due to Macau's historical background as a place on connection by partnering with overseas museums for exhibitions. Recent examples include a partnership with the Louvre for a Picasso exhibition and two annual exhibitions in partnership with the Palace Museum in Beijing. The museum is not interested in limiting the exhibitions and collections to specific periods and/or regions per se. Instead, the museum will exhibit and collect objects from Macau ranging from thousand-year-old ceramics to contemporary art. When not focused on the art of Macau, the museum searches for works that are representative in order to promote Chinese culture/arts to foreign tourists as well as Western culture/arts to Chinese tourists. Annually the museum organizes approximately 15 temporary exhibitions.

Attendance and Visitor Origin

In 2008, the museum hosted 74,100 visitors, which was only slightly less than visitation in the previous two years. The museum does not track paid versus free or discounted attendance, but shared that 9.3 percent of attendance is school groups who receive free admission. By observation, management estimated that between 40 to 50 percent of visitors are between 30 and 50 years old. The second largest age group is below 30 years of age, followed by persons over 50 years.

Approximately 40 percent of visitors to the museum are local residents. The remaining 60 percent are tourists including 35 percent from Hong Kong, 30 percent from China, 20 percent from Taiwan, 10 percent from US/Europe/Australia, and 5 percent from Japan.

Membership

A membership program, the Friends of the Macau Museum of Art, was established during the second year of museum operations. The program currently has 1,000 members, of which over 90 percent are at the individual level. Individual membership is MOP 30 per annum. The highest level of membership, sponsors at MOP 50,000, has no members as of yet.

Financial Profile

The museum does not track and monitor financial performance as a non-profit operation under the Civil and Municipal Affairs Bureau of the Macau Government. The Bureau funds the museum operations and any revenue from museum operations go back to the Bureau directly. Museum staff focus solely on the promotion and public education of arts and culture. The Bureau pays for all personnel expenses for a total staff of 57 persons. Government funds are also used for maintenance, exhibition, promotion, and programs expenses.

Admission to the museum is MOP 5 for adults, MOP 2 for students and groups more than 10 persons, and free for children and seniors.

Marketing

The museum's marketing and promotions staff of four persons is responsible for all promotions materials at major tourist arrival points in Macau such as the ferry pier, airports, MTR stations as well as at the most popular tourism sites such as Senado Square. The museum usually markets through a range of different media such as radio, TV, and paid advertising as well as in partnership with overseas tourism bureaus. Museum management confirmed that the museum does not spend a lot on marketing and promotion as they try to minimize the expense through partnerships and sponsorships (e.g. television stations).

Taipei Fine Arts Museum

Background

The Taipei Fine Arts Museum opened in 1983 as the first modern and contemporary art museum in Taiwan. It is located on the banks of the Jilong River in the Taipei Arts Park of the Yuanshan District in Taipei City. The facility is accessible from ZhongShan North Road, the Yuanshan Station of the Tam Shui metro line. Currently, construction is underway on all grounds surrounding the museum in anticipation of the Flora Expo in 2010.

Physical Characteristics

Total floor area of the museum covers 20,442 square meters, with 11,741 SM dedicated to exhibitions. There are 10 exhibition galleries separated across four floors including the basement. Other facilities at the museum are:

- A classroom for arts-related courses, including creative workshops for children as well as Chinese, Western, and art appreciation courses for adults;
- An Art Experience Corner for hands-on education programs tailored to elementary/junior high school students and families;
- An Art Library with approximately 30,000 art-related books, periodicals, catalogues, and films. The library is one of three in Taipei focused on rare art books;
- An Auditorium with 289 seats used in conjunction with exhibitions for symposia, presentations, and discussion panels;
- The TFAM Bookstore;
- Cafeteria

Content, Collections, Exhibitions and Programs

The museum is organized around three principles: education, research, and interpretation. The collection features artists working from 1895 to 1945 and after the Martial period, from 1983 to the present. Approximately 80 percent of the collection is domestic objects with the remaining 20 percent from overseas. The museum's strength is in contemporary Taiwanese art. Over the last twenty years, approximately NT$ 1.2 billion has been spent directly on acquisitions; most objects, however, have been donated to the collection and sold to the museum by artists at a rate below market value. Annually, the museum spends NT$ 40 million on acquisitions.

On average, the museum features approximately 20 exhibitions annually in five categories:

1. International exhibitions in partnership with other institutions: Recent examples include Arcadie: Dans les Collections du Centre Pompidou which included contemporary art from the Pompidou collection and Pixar: 20 Years of Animation, a touring exhibition on the art practice behind 3D computer technology in making Pixar's animated films.

2. Biennial exhibitions: the museum organizes the Taiwan Pavilion for the Venice Biennale which later shows in the museum and also the Taipei Biennial, an important platform for new art in Taiwan.

3. Competition exhibitions: annual oil painting and the Taipei arts competition, the latter of which is focused on emerging artists working in any media.

4. Solo exhibitions: approximately five per annum featuring active contemporary artists in Taiwan.

5. Curatorial exhibitions based on the collection, Taiwan art history, and so forth. Exhibitions on the permanent collection will change at least annually.

Attendance and Visitor Origin

Attendance to the museum has averaged 400,000 to 450,000 over the last eight years. In 2008, attendance was 450,000. Thus far in 2009, attendance is up to 800,000 with the widely popular Pompidou and Pixar exhibitions. Attendance during SARS was lowest at 350,000. Staff indicated that 40 percent of visitation is from Taipei City. Another 40 percent is from the remainder of Taipei County and 6 percent are from overseas. Other Taiwan residents account for the final 14 percent. The most recent detailed visitor survey was completed during the last biennial exhibition and revealed that most of the audience was age 20 to 29 years. Staffers believe this young representation may be slightly skewed for the timing of the survey, but in general they have a young audience demographic. Approximately 65 percent of visitors were also female.

Education services are a priority for the museum and student groups account for 10-15 percent of visitation. In Taipei City students are required to visit a museum during their elementary education.

Membership

The museum organizes no membership program, but overseas a registration program online that allows visitors to purchase books and gift store items online.

Financial Profile

- The museum is owned and operated by the Taipei city and national government. The annual operating budget is NT$ 300 million and paid from government resources. The museum receives an additional NT$ 150 million in contributions and in-kind support from public enterprises. All revenues generated from admissions, retail sales, and food/beverage service are returned to the government. Staff at the museum totals 140 members with 12 curators for exhibitions. Details on operating budget line items are as follows:Facility expenses including utilities and maintenance: NT$ 10 million
- Personnel: NT$ 180 million
- Exhibitions and education programs: NT$ 60 million
- Bi-annual expenses: Taipei Biennial NT$ 75 million, Venice Biennial NT$ 40 million

General admission to the museum is NT$ 30. Discount tickets for students, military and police are NT$ 15, admission is free for preschool children, seniors over 65 years, retired government employees, teachers, veterans and the handicapped. The museum has two joint ticketing promotions, a VIP pass (NT$ 300) and a family card (NT$ 1200) which allow free admission to the Taipei Fine Arts Museum, Taipei City Zoo, Taipei Children's Recreation Center and Taipei Astronomical Museum for one year. The museum also offers free admission to students on Sundays.

Marketing

As a government institution, the museum has no official marketing staff or department. When first opened, marketing focus was primarily on education, events and promotions for the public. More recently, however, marketing responsibilities have been separated into two departments: International and Public Programs handles public relations and advertising while Public Programs handles marketing for all public events, education programs and exhibitions. Development responsibilities for cultivating donation and patronage in Taiwan are part of public relations. The museum anticipates that as the museum continues to evolve, these development responsibilities will be transferred to the director's office to be more in line with museum practice in Europe and the United States. Currently, high-level management for the museum is handled by government appointed officials who oversee curators and other staff with expertise for operations and programmatic content.

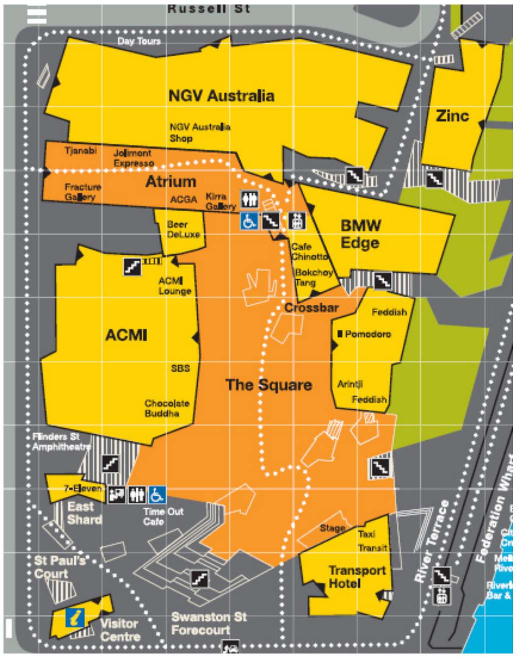
Lessons Learned

- Believe that stabilized support for the arts in Hong Kong could be more significant and a condensed/organized center will help
- A large scale Hong Kong Biennial has great potential, Hong Kong is a global, energetic, and open-minded place
- Arts are a way to keep Hong Kong alive.

Australian Centre for Moving Image

Background

The Australian Centre for Moving Image opened in 2002 in a purpose-built venue at Melbourne's Federation Square. Development for the project began in the mid-1990s, and was soon adopted by the Victorian Government . The Centre is an anchor tenant for the cultural and entertainment district, located on Flinders street and south of the National Gallery of Victoria.



Physical Characteristics

The ACMI building was developed at a cost of AU$ 90 million, with another AU$ 28-30 million spent on fitting out the museum. The building also houses SPS headquarters, a broadcasting company. The key funder for the project was the state government, followed by federal support.

In September 2009, the museum opened a new permanent gallery in a reconfigured layout. The museum now includes 9,000 square meters, of which approximately 5,000 square meters is dedicated to exhibition space. The permanent exhibition gallery is from 1,500 to 2,000 square meters. Two smaller exhibition galleries, totaling approximately 2,000 square meters, host temporary exhibitions.

The facility also includes studios for moving image production on site (500 square meters), a research facility named Australian Mediatheque, two cinemas (650-700 square meters), a store, lounge, event space, and café. Prior to the expansion, the only exhibition gallery (1,300 square meters) was a temporary exhibitions space.

The new permanent exhibition charts the journey of the moving image and, in particular, Australia's engagement with screen culture as consumer and creator. It is an interactive and immersive exhibition, illustrating how the varied forms of moving image have emerged and evolved. In the same development project, the second special exhibition space was created, as well as the art production studios, resource center, and an external exhibition space, the Video Garden.

Content, Collections, Exhibitions and Programs

ACMI houses the collection of a former state film center opened in 1946, which spans Australian and international moving image materials and screen culture. The new permanent installation gallery, which draws from this collection, will be renewed on a 7- to 10-year cycle. Historically, there have been three temporary exhibitions annually ranging from monograph exhibitions on a major artist or large scale exhibitions (e.g. Pixar). Other smaller shows feature commissioned work or younger artists. The Centre held nearly 700 screenings in the cinemas last year, and premiered nearly 40 Australian, Melbourne and international features, shorts, and documentaries.

Attendance and Visitor Origin

Until the recent development project, the layout of the museum lobby was a thoroughfare for visitors passing through to Federation Square instead of a visitor destination. As such, attendance at the museum has varied widely and has not accurately reflected the number of guests to ACMI exhibitions. Management estimate that visitation when the museum first opened was around 250,000 growing to around 450,000 of which 150,000 would have attended film screenings. Evidence in the last month since re-opening suggests that attendance levels in the redesigned space could grow to around 650,000. Typically, exhibitions achieve attendance levels of 20,000 to 55,000 with few international exhibitions reaching beyond 100,000. School group attendance is approximately 7 percent of total attendance. With the permanent exhibition gallery, the museum hopes to increase the total number of participants substantially.

Approximately 60 percent of visitation is from greater Melbourne, with another 5 percent from regional Victoria. Visitors from the rest of Australia comprise 20 to 25 percent, with another 5 to15 percent from overseas. Approximately 75 percent of visitors are under 40 years of age.

Membership

The centre has no formal membership program.

Financial Profile

In 2007/2008, the Centre's annual operating budget was AU$28 million. The museum received AU$23 million from the Victorian government, which includes an allocation of AU$3.5 to AU$ 4.3 million for rent paid to Federation Square Pty Ltd, the operator for Federation Square. The facility earns AU$ 6.6 million in revenue, receives AU$ 1 million in sponsorships, and receives another AU$ 300,000 from grants and other sources. Salaries account for AU$10.4 million of the total operating budget. After personnel and lease payments, the remainder is for operations. The centre employs a staff of 103 persons.

The new permanent exhibition gallery is free of charge. Some exhibitions, not all, have admission fees that average AU$ 15.

Marketing

Marketing expenses, including staffing and cash, accounts for 10 to 12 percent of the overall operating budget. Marketing and communications staff together is 12 to 15 persons. Joint marketing with Federation Square is limited to brochures, some targeted marketing for programs, and broadcasts on the large outdoor screen. Generally, the centre works more closely with the Tourism Melbourne and Tourism Victoria agencies. While there is extensive direct marketing for larger exhibitions with television, radio, and print all covered, the centre has found word of mouth, editorial coverage, and exterior signage around the city most effective. In the last few years, the email list on centre happenings and exhibitions has grown rapidly from 5,000 to 50,000 users.

The overall marketing strategy has changed dramatically since the redevelopment of the facility. Before, with the one exhibition gallery, the target audience was a film audience with the addition of a family audience for larger blockbusters. Now, the centre is targeting a wider range of education, cultural tourist, film programs (which is 25 percent of audience), art gallery, and creative workshop niche markets.

Lessons Learned

Tony Sweeney, the Centre's director, offered the following cautions in developing M+:

- There are few facilities dedicated to the moving image around the world and all receive limited attendance. Although screen-based visual culture is a sexy subject, evidence suggests there is limited appeal (attendance level approximately 200,000).
- Will need to get a moving image facility right, balancing collections with the life, story and excitement of moving image, which is inherently exciting.
- Instinct says the project would benefit from separate institutions for the different themes in one complex. Feels that galleries with disparate subject matter confuse visitors and you lose the opportunity for multiple visits. The operational model for melded together institutions is complicated and is easy to get wrong.
- There is a distinction between existing collection-based film museums around the world and facilities like ACMI that are focused on screen based visual culture that grew out of film and television. Rather than focused on objects, ACMI is focused on creative practice, technological processes, and all moving image.
- One success factor for ACMI is that the facility was designed holistically around the subject matter.

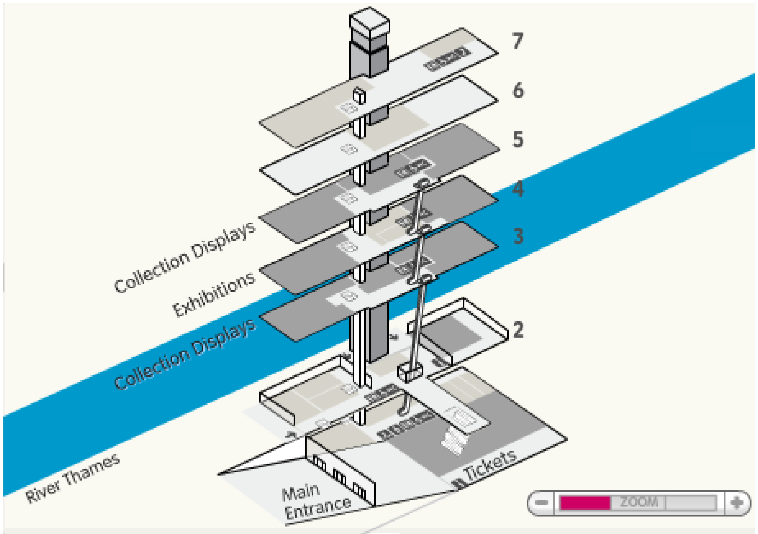
Tate Modern

Background

The Tate museums in the UK are a network of four art museums—Tate Modern, Tate Britain, Tate Liverpool, and Tate St. Ives, which together house the national collection of art since 1500 AD. Tate Modern, located at Bankside, London, alongside the River Thames, next to the Globe Theater, was founded in 2000 to display the national collection of international art made after 1900. The Millennium Bridge connects pedestrians from the St. Paul's Cathedral to the museum and the Tate Boat shuttles between Tate Britain and Tate Modern during gallery hours.

Physical Characteristics

The facility, which was designed by Herzog and de Meuron and built at a cost of £135 million, has a total internal floor area of 34,500 square meters with 9,127 square meters of exhibit space. Rather than demolish the 1947 Bankside Power Plant, the architects adapted the industrial space, preserving much of the original building. Given the museum's success, which receives double the planned visitation, an expansion is underway and scheduled to open before the Olympic Games in 2012. The new addition, also designed by Herzog and de Meuron, will increase the gallery space by 60 percent and create new spaces for learning and social uses. The current facility program includes:



- Former Turbine Hall as a 'covered street' (3,300 square meters), art installations may also be here
- Special exhibitions galleries (1,300 square meters)—included in the total 9,127 square meters of total exhibition space
- Auditorium (240 seats)
- Two cafés (240 and 170 seats plus 30 in the bar area)
- Three retail spaces:
  - Level 1: 500 square meters
  - Level 2: 300 square meters
  - Level 4 Exhibition Shop: 150 square meters
- Education area (390 square meters)
- Members Room (150 square meters)

- Offices (1,350 meters)
- Support services/art handling area (1,500 square meters)

Content, Collections, Exhibitions and Programs

The Tate Modern Collection is on display on levels three and five of the building, while level four houses large temporary exhibitions. A small exhibition space on the second level features work by contemporary artists. Level one is used to display commissioned pieces.

In the permanent galleries, modern and contemporary art is arranged by theme, rather than by period or chronological order. At the heart of each wing is a large central display 'hub' which focuses on one of the pivotal moments of twentieth-century art history. Exhibition themes are as follows: Material Gestures; Poetry and Dream; Scale, Energy and Process; No Ghost Just a Shell; and States of Flux.

Tate Modern also presents about one dozen temporary exhibitions annually. These range from major retrospectives, historic and group shows, to commissions for specific displays.

Programming and community outreach at Tate Modern is extensive including school programs, teachers programs, courses and workshops, Raw Canvas which is a young adult program with art-related activities, community groups, and Visual Dialogues that provides young people the opportunity to share with curators and artists the kind of work they'd like to see displayed. The Tate collaborates with a consortium of 22 arts and culture organizations on a variety of projects including a recent collaboration with 30 dancers from local schools who performed in the Turbine Hall. Other events include an active calendar of talks, symposia, film screenings, performances, and so forth.

Attendance and Visitor Origin

Attendance to the galleries in 2008 reached over 4.6 million. Of that, 330,000 were on-site learners there from learning programs and activities. Approximately 3 percent of visitors were school groups and 1 percent were there for family programs. Entrance to Tate Modern is free, and total attendance likely includes visitors to the museum who do not traffic the galleries.

Recent research indicates that 60 percent of visitors to the museum are from the UK and that the remaining 40 percent are from overseas. An estimated 30 percent are from greater London. Nearly 60 percent of visitors are female and nearly half of all visitation is from ages 17 to 39. An average of 28 percent of visitors are first-time guests.

Membership

Membership for the Tate is coordinated for all four museums as a whole. The program was founded in 1958 to raise funds for acquisitions and promote Tate to the general public. Individual annual membership fees start at £50.

Financial Profile

Tate is a Non-Departmental Public Body (NDPB), whose prime sponsor is the Department for Culture, Media and Sport (DCMS). A NDPB is a body which has a role in the process of national government but is not a government department or part of one, and accordingly operates to a greater or lesser extent at arm's length from Ministers. The Director of Tate is also the Accounting Officer appointed by the DCMS. Operating under the Museums and Galleries Act 1992, Tate employs its own staff and holds responsibility for its own expenditure.

Tate is funded by Grant-in-Aid from Parliament, provided through the Department for Culture, Media and Sport. Tate supplements this grant through other sources, including trading, admissions, donations and sponsorship. They now generate 60 percent of general income from sources other than Grant-in-Aid.

Information on Tate Modern expenses and earned income as separate from the Tate as a whole is not available. Total income, however is approximately £7million.

Overall Tate’s operating budget is £87.4 million, with £32.5 million contributed from Parliament with the remaining income, £53.9 million, self-generated.

Admission to the museum is free of charge; temporary exhibitions are typically ticketed at £12.5 for adults.

Marketing

Marketing for Tate Modern is organized as part of marketing efforts for all Tate museums. The Marketing team works alongside the Press Office, Membership and Digital Programs departments, all of whom work to communicate Tate's program effectively, to attract new visitors, encourage repeat visits, and to maximize visitor numbers to all four galleries.

Every department at Tate contributes each year to Tate's overall plan. The Communications Department sets plans based on what they intend to achieve over the next three years, in line with the organizational objectives. This strategy sets out attendance targets, budgets and audience development objectives, with further detail regarding specific projects or audiences, which will be a particular focus for the coming period. Individual strategies are then devised and written throughout the year for specific exhibitions and events, in line with the divisional plan and Tate's overall objectives.

Marketing is part of the Communications team whose role is to identify potential audiences, establish their drivers for exhibition attendance and motivate them through appropriate communication. One of the most important roles of the Marketing Department is to conduct frequent market research to gain a picture of the people who are coming, why they are coming and what they like or don’t like. Research is also consulted to identify audience segments not coming to the gallery, and what Tate can change to make the galleries more attractive to non-attendees.

The Marketing Department's communication methods largely differ from the Press Department as the majority of the media that it uses is paid for; therefore presence and message can be guaranteed, though media costs can be restrictive. Paid-for marketing materials can include press advertising, radio advertising, Underground campaigns, bus sides, leaflets, postcards, direct mail, email bulletins etc, whereas media coverage, such as press articles and television programs, are set up by the Press Office and do not have a media cost.

As well as the paid-for marketing, Tate makes its budgets stretch further by setting up promotions that can be negotiated for free, or can get media space for little or no cost. These include media partnerships, ticket offers, competitions and third-party promotions, such as advertising on take-away coffee cups or a display in a shop window relating to an exhibition.

For major exhibitions, Tate uses a variety of advertising media, all chosen to target specific audience segments. Tate often uses posters on the London Underground (for its London venues), and adverts on bus sides ('outdoor' advertising). Adverts in the press are also used, especially the national broadsheet newspapers and creative and art world magazines, depending on the target audience for the campaign. Tate also produces marketing leaflets, posters and flyers, for distribution around targeted areas of London and the UK. The size and scale of the campaign is appropriate to the attendance target and the campaign budget.

A number of email bulletins provide information and news to interested subscribers (around a quarter of a million are sent out every month).

Before any advertising is booked, the Director of Media and the relevant Press Officer and Marketing Manager meet to develop a communications plan. In the case of a major exhibition, for example, this covers advertising and also press coverage, promotions, ticket offers, print production and distribution, and online promotion through the Tate website.

The plan typically includes:

- a basic outline of the exhibition
- the attendance target
- a description of the target audience/s
- the budgets available
- planned communications activity

Advertising development then begins with briefing meetings with curatorial staff, sponsorship staff, the design team (which may include an internal graphic designer or external creative agency) and the media agency. This creates a project team that can discuss target audiences and develop appropriate and persuasive themes. A written brief is then agreed upon, together with a selection of images, design guidelines, and any copy and sponsor credits that need to be included.

The creative agency or designer then presents their proposals, and these are discussed in detail with the project team. Designers develop advertising for each exhibition designed to appeal to the target audience for that exhibition or event. Before the advert is approved, the use of particular images has to be checked – as appropriate – by the artist, the lender of the work (if it doesn't belong to Tate) and the copyright holder.

Meanwhile the media agency will present various options on how to reach the target audience, which they have developed using the TGI system. TGI (Target Group Index) is a continuous survey where data collection runs throughout the year. The survey is based on a sample size of around 25,000 interviews per annum and yields information on usage of over 4,000 brands in 500 product areas for those aged 15+. TGI data is used to assist the understanding of target markets to aid the choices of relevant media to communicate with each target group.

Media might include Underground posters, magazines, newspapers, postcards, radio, cinema, bus sides etc. The media plan includes guideline costs and detailed information on whom the campaign will reach and how often they will see the adverts. Once this is agreed upon by the creative agency and Tate, the media buyers negotiate with media owners to obtain the best possible spaces and prices.

Finally the adverts go into production, with careful control over quality and costs at each stage. Once they are published, file copies are sent to Tate for reference.

Tate also supplements its paid marketing campaigns with a range of promotions geared towards specific target audiences. Promotions vary from ticket offers in newspapers and magazines to third-party promotions with a variety of commercial companies.

The cycle then begins again, as visitor research tracks advertising effectiveness for each exhibition alongside other marketing initiatives, and the findings are used as a guide to the next campaign.

Lessons Learned

Tate Modern Director Alex Beard emphasized that there is no magic bullet for creating a successful museum. It is a highly complex endeavor that demands balancing the needs of many different groups. He recommends that the Authority define early on what matters most, prioritizing budget, schedule, and quality. One can only manage two out of the three, so determine early on what matters most. At Tate Modern cost and time were essential; the quality of the museum design and programs could be improved through a process of experimentation. It was easy for Tate to compromise on the scope and quality because they knew what they wanted artistically. At Tate, they “bet the farm on the quality of the project.” The Tate Modern is one of the cheapest, but most popular museums ever built.

Mr. Beard believes that, like Tate Modern, the West Kowloon Cultural District Authority will need to have local audiences at the core of all planning. At Tate, all Tate Galleries must be rooted in locality, with the local community at the core and regional and international audiences around that core in concentric circles. He recommends hiring a Community Engagement Officer early on to ensure that the community is engaged and connected with the museum and district. By involving local residents, business people, and artists one will attract broader audiences. The most powerful marketing is through word of mouth.

It is also critical to have a strong, clear artistic vision to help balance the relationship between the executive and the non-executive. A project is more likely to fail if it is not linked the community and if the vision doesn’t resonate with the community.

There is a constant balancing act between architect, client, and other stakeholders such as politicians and community members. Beard recommends being a strong client. Having an executive who is in charge of the process with clear responsibilities, defined relationship to the museum, and a well-defined role will help create a realistic balance of power. The executive needs to have enough influence to make decisions: if the executive is given “too little rope, you’ll run into problems, give him/her too much, the rope will burn.”

Hiring an international mega-star architect to design a museum is not necessarily good for the museum. A “starchitect” might not be as personally invested as a lesser-known architect.

Overall, the project is going to demand discipline, collaboration and good teamwork.

Centre Pompidou

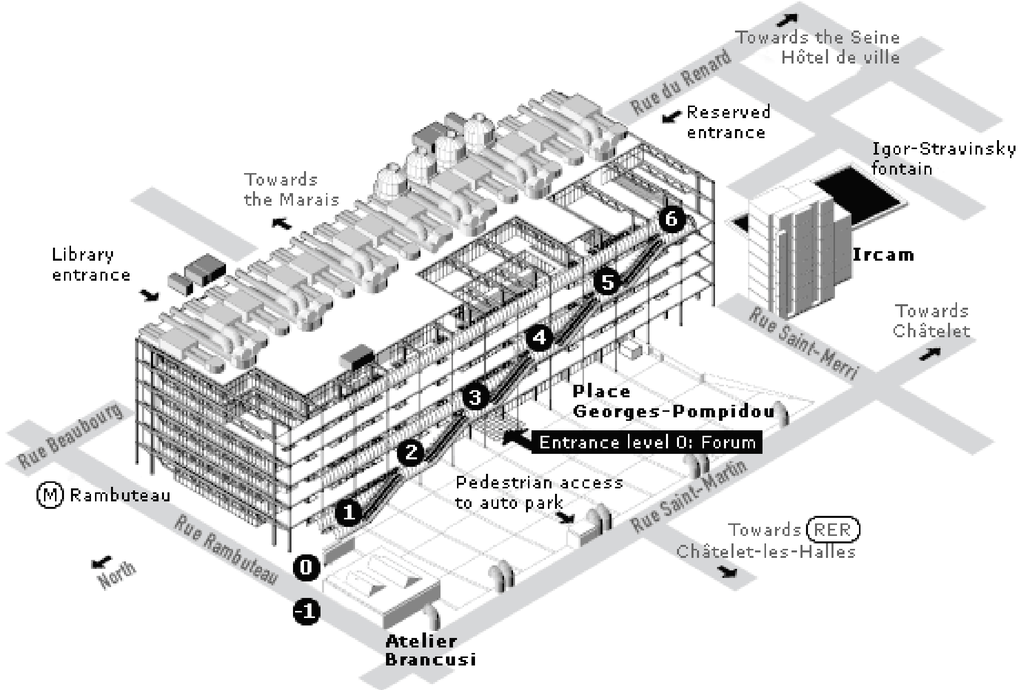
Background

The Centre national d'art et de culture Georges Pompidou was inspired by President Georges Pompidou who wanted a cultural institution in the heart of Paris focused on modern and contemporary art. It opened in 1977 in the Beaubourg district of Paris, near Les Halles, rue Montorgueil and the Marais as a place where visual arts, theatre, music, cinema, and literature could be enjoyed together.

Physical Characteristics

The facility, which has a gross area of 103,300 square meters, was designed by Renzo Piano and Richard Rogers. Their design was a drastic reinterpretation of the traditional museum model, emphasizing openness and participation for social and cultural exchange. The building has three levels of infrastructure that house the mechanical and service areas and a seven-level glass and steel superstructure. By putting the mechanical systems on the building's exterior, they were able to open the core of the building.

The facility's success led to a faster than expected deterioration and resulted in a renovation between 1997 and 1999. The renovation allowed for improved reception areas and 8,000 square meters more of gallery space.



Visitors entering through the main entrance at ground level find the ticket office, cloak room, the Flammarion Bookstore, a Children's Gallery, post office, and general information. The Cinema 1, Printemps Design Boutique, café, and two galleries are on the 1st floor. Below ground there is a foyer, a second ticket office, Cinema 2, and the Petite Salle and Grande Salle. The Museum's galleries and activity spaces are located on the 4th, 5th, and 6th floor, while the public library is located on the 1st, 2nd, and 3rd floors. Additionally, there are three bookstores at the Centre: the main bookshop in the Forum, and two others on the 6th floor and at the entrance that both offer publications related to the temporary exhibits. Food is available on level 6 at Restaurant Georges, in the café in the Forum on level 1, and at the BPI Kiosk on level 2.

Content, Collections, Exhibitions and Programs

When Centre Pompidou opened in 1977, it featured the collections of the Musée national d'art moderne, which consisted of works donated by artists such as Picasso, Braque, Matisse, Chagall and Brancusi. Now the museum owns more than 53,000 works of art from the 20th and 21st centuries including a range of creative arts from painting to architecture, cinema, photography, sculpture, new media, and design. The permanent collection is alternated according to a display renewal policy along with featured new acquisitions. The museum also hosts 15 to 20 temporary exhibitions annually.

The Centre Pompidou organizes group visits of the Museum and its exhibitions, which can be made with or without a guide. Teachers may come with their class as an autonomous group or use the services of a Centre Pompidou guide for an overall visit, themed visit or workshop. There are lectures for anyone wanting to learn more.

Attendance and Visitor Origin

More than 5 million people pass through the Centre Pompidou's doors each year, with over 2.7 million visitors to the permanent and temporary exhibition galleries in 2008. Attendance over the last three years has been consistently strong with around 1.2 million visitors annually to the permanent collection and approximately 1.5 million to temporary exhibitions.

Membership

Membership to the museum in 2008 reached over 42,000 members, with the largest percent participation from the Jeune category under 26 years of age. Approximately 85 percent of all members live in Paris and the surrounding suburbs. Individual memberships start at €250.

In an effort to bolster giving and increase acquisitions, the Pompidou Centre also has a US-based Foundation that functions as a high-level collections group. The Foundation not only offers support to the museum through gifts and acquisitions, it also serves as a communications and marketing hub connecting donors from the United States and around the world to the institution. Members, who all pay dues, gain privileged access to the curatorial staff at the Pompidou and other behind-the-scene activities or trips that members of the museum do not necessarily have.

Financial Profile

The Pompidou has a total operating budget of €99.4 million (including €4.1 million in acquisitions). Approximately half is spent on personnel. Total contributed income is €75.9 million, which is largely from government sources (96 percent). Earned income total €23.2 million and is largely from ticket sales (36 percent) and commercial activities (16 percent). The museum has a staff of over 1,100 persons.

The joint museum and exhibition ticket starts at €12 for adults, with concessions as low as €8 depending on programming. Reduced price tickets are available for visitors age18 to 25 years, active teachers in France, holiday cheques holders, students from French art or performing arts schools or academies, Maison des Artistes, de la cité internationale des arts and IAAP members, and Amis du Musée d'art moderne de la Ville de Paris.

Marketing

The Pompidou has no distinct marketing department and was not able to determine how much is spent on total marketing tasks annually. They did indicate, however, that the paid advertising budget, only a small part of the overall Pompidou marketing strategy, was €917,000 in 2008. The Communication and Public Relations team is 24 persons, but other marketing responsibilities are handled in the Education and Visitor Services Department, the Publishing Department and the Partnership and International Development Department.

Museum management responded with the following explanation of marketing operations for the facility:

- The Centre Pompidou offers different types of products. The most visible part of this offer consists of Business to Consumer activities: museum collections and exhibitions (tickets to museum & exhibitions, guided tours, etc.), shows (theatre, dance, music, etc), cinema, children workshop tickets, books (catalogues, etc.) and exclusive products (notepad, pencils, pens, t-shirts, etc.). Yet, the museum is also involved in business-to-business activities particularly through travelling exhibitions and facility rentals for corporations.
- Every product is part and parcel of the identity of the Centre Pompidou as a modern and unique multi-disciplinary institution.
- The Centre Pompidou marketing vision is based on a product orientation. The objective is to focus on high-quality products such as unique exhibitions with a great effort on art research and then to create a consumer demand.
- Since its founding, the Centre Pompidou has also dedicated a significant place to social marketing. According to its vision, cultural activities might facilitate social integration.

- The Centre Pompidou has a corporate marketing strategy planned by the Centre Pompidou Chairman including the definition of corporate identity, vision and objectives. This marketing strategy is assumed by several departments, in line with the corporate strategic orientations:
- Visitor Strategy (Education and Visitor Services Department)
  - Audience development:

    As the aim of the institution has been to reach and attract a wide variety of people, the museum has developed an innovative approach of some specific market segments including special offers (workshops, visits, website, etc) and reduced price tickets.

    It should be noticed that the Centre Pompidou doesn't offer separate tickets for exhibition or museum collections. Thanks to the Exhibition and Museum ticket, visitors coming specifically for appealing exhibitions have the opportunity to discover more specialized exhibition and museum collections. This single ticket policy has proved an efficient means of enticing visitors to discover different and sometimes more focused exhibitions. It should be noted that the wealth of exhibitions and events on offer for the price of a single ticket makes it relatively cheap.
  - Visitor loyalty programmes:
  - To induce the growth of museum visit frequency, various passes (called "laissez-passer") were created. Designed by artists, these cards offer a free access to collections and exhibitions along with reduced price tickets for shows
  - Communication and Public Relations Strategy (Communications Department)
  - The Centre Pompidou benefits from good recognition and visibility. Thus, the communication and public relation strategy mainly aims at promoting its event programme. Three main communication actions can be mentioned:

    First, the Centre Pompidou advertises its exhibitions and events with poster campaigns (billboards situated in the subway, in the street, etc). These billboards are fixed and reserved for Centre Pompidou poster campaigns.

    Media partnership with newspapers, radio and TV channels are implemented to promote each exhibition.

    Finally, more than 2 million newsletters (called e-flux and e-storming) are sent to art professionals (curators, museum chairman, etc) and art lovers – exactly 30 newsletters sent to 75,000 people every year.
  - It should be pointed out that the Centre Pompidou communication and public relation strategy is adapted to each market segment and product. Thus, the newsletters are dedicated to art specialists while social networks are tapped to attract the younger crowd. What is more, as each exhibition consists in a specific product with a particular identity, the public relations strategy must be adapted each time. As an example, for the Centre Pompidou Festival (21/10/2009 - 23/11/2009), young and dynamic media such as the magazine Les Inrockuptibles and the radio channel Radio Nova were chosen.
- Merchandising (Publishing Department)
  - The marketing strategy planned by the publishing department aligns with the corporate strategy, especially with its first mission, which consists of bringing the artistic creation and the society closer together. This strategy is also well adapted to the Centre's visitors who are mostly French residents and require high-quality products.
  - Thus, the current strategy aims to develop an accurate offer including exhibition catalogues along with innovative children's book and art history books based on the prestigious Centre Pompidou collection. These two original segments have been created in order to be less dependent on exhibition catalogues sales, which make up for 90 percent of earnings in this field.
  - Innovative partnerships with great contemporary artists such as Claude Closky or Matali Crasset are also developed to bring art within everyone's reach. Currently, the Centre Pompidou is establishing a partnership with the French designer Mathieu Lehanneur to create an affordable piece of art.
  - Finally, the merchandising strategy rests on the development of the brand Centre Pompidou. The name and the building of the institution can't be ignored on the international cultural scene. Thus, the Centre Pompidou exclusive products must be available everywhere in France and abroad. A partnership policy is implemented to offer these products in tourist or stationery stores and international airports.

- Strictly speaking, the museum doesn't have a target audience as they aim to reach the widest possible audience. This objective has been part and parcel of the museum strategy since its opening in 1977.
- The current key elements of the Centre Pompidou marketing strategy were part of the initial project of President Georges Pompidou. However, some evolutions must be noticed. The Centre Pompidou is increasingly involved in social media marketing – active use of Facebook, Twitter and Dailymotion.

Guggenheim Bilbao

Background

The Guggenheim Museum is at the center of Bilbao on the banks of the Nervion River in Spain's Basque Country. Since opening in 1997, the museum has fostered unparalleled draw for the region as an important tourist attraction and cornerstone of the city's revitalization plan. Together with the Fine Arts Museum of Deusto University and the Arriaga Theater, this district near the city's old quarter and classical district, "Ensanche" has become a cultural hub.

The museum is part of the Guggenheim network that also includes the Solomon R. Guggenheim Museum in New York, the Peggy Guggenheim Collection in Venice, and the Deutsche Guggenheim in Berlin. Guggenheim Bilbao is both a private and publicly run institution with three public societies overseeing different facets of the facility and operations: the Guggenheim Bilbao Foundation, which manages the Museum; the Building Society, which owns the building; and the Keeper Society, which owns art acquisitions. While the Museum is under the trusteeship of the Basque premier, the Guggenheim Museum Bilbao Foundation consists of members of The Basque Government, the Basque Ministry of Culture, the Provincial Council of Bizkaia, the Solomon R. Guggenheim Foundation, and a group of trustees that includes 32 private companies. The Building Society is comprised of members of the Basque Government, Regional Government (Bizkaia) and local government (Council).

Physical Characteristics

The museum, designed by Frank Gehry, has become an architectural icon with its titanium skin, twisting, curving facade, and series of interconnecting volumes. The building's construction was backed by the local government, who provided the 249,000-sq.-ft. site, the basic construction cost of US$100 million; US$50 million more for new acquisitions; a US$20 million advisory fee to the Guggenheim; and US$12 million a year in operating costs.

Gross square meterage of the building is 24,000 with 11,000 square meters dedicated to gallery space. The galleries are distributed over three levels with a total of 20 separate spaces, some of classic proportions and others irregular to accommodate large-sized objects. Other components of the program include:

- Lobby/Foyer
- Atrium (50 meters high)
- Auditorium (300 seats)
- Retail
- Restaurant/café services: Two cafes and a restaurant
- Water garden
- Terrace
- Tower
- Staff entrance/offices

The museum's auditorium, restaurant, store, bookshop, and administrative areas can all be accessed either from the museum square or from inside the building, meaning that they can operate independently of the museum opening hours and function as an active part of city life.

Content, Collections, Exhibitions and Programs

Individual collections from each of the Guggenheim museums are complementary and together form the Guggenheim's Permanent Collection. The acquisition program at Guggenheim Bilbao complements the Solomon R. Guggenheim Foundation's holdings with art from the mid-20th century to the present; the museum acquires singular examples and signature works by leading postwar and contemporary artists; commissions site-specific projects that respond to the particular space in and around the Frank Gehry building; and represents work by modern and contemporary Basque and Spanish artists in order to preserve and bring global attention to their vital cultural heritage.

The Museum follows a new exhibit model that combines temporary and permanent exhibits within the same gallery space. The museum continually changes its exhibits, drawing from the Guggenheim's permanent collection. In 2008 the museum presented three exhibits from the Permanent Collection and four temporary exhibitions. For comparison, in 2007 there were two presentations from the Permanent Collection and six temporary exhibitions.

Attendance and Visitor Origin

Since opening in 1997, the museum has welcomed over 11 million visitors through its doors, averaging one million visitors per year. In 2008, 951,369 people visited the museum, 5 percent fewer than in 2007.

Visitors from the Basque Autonomous Country area, which includes Bizkaia, Araba, and Gipuzkoa, increased from 6 percent to 10 percent between 2007 and 2008. Other Spanish visitors made up 24 percent of the total number of visitors in 2008, while the remaining 66 percent consisted of international audiences.

Of the international visitors in 2008, 20 percent were French, 9 percent British, 7 percent German, 6 percent Italian, 6 percent American, 2 percent Portuguese, and 1 percent Japanese. Overall, the number of foreign visitors decreased by 1 percent, between 2007 and 2008.

Membership

With 16,029 individual members, the Guggenheim Museum Bilbao is the biggest group of its kind in Spain and one of the largest in Europe. Membership loyalty also remained high, with a renewal rate of 88.7 percent. Individual membership is €40 per year. The Museum also depends on business support for exhibit and activity sponsorship and has approximately 150 Corporate Members.

Financial Profile

The total direct expenditure generated by the activities of the museum was €231.8 million in 2008. Guggenheim Bilbao is a leading European cultural institution in terms of self-financing. In 2008, the museum achieved approximately 65 percent of its financing from its own resources. The remaining 45 percent was achieved through public funding.

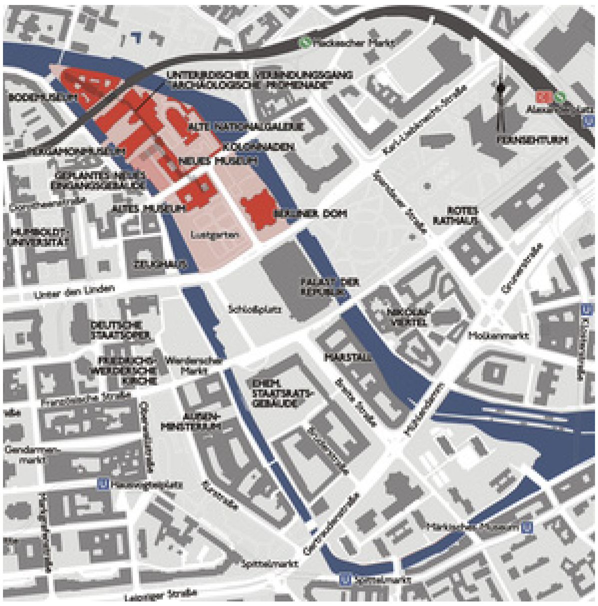
Expenditure by visitors generating more than 210 million Euros of GDP brought in revenues of over 28 million Euros to the Basque Treasuries, and contributed to maintaining 4,196 jobs.

Admission fees may vary depending on the Museum program. When exhibitions are being changed and galleries are closed, admission prices are reduced. Fees range between 6 and 9 Euros for adults and 3 and 4.5 Euros for seniors and students who are 26 and younger. Groups of more than 20 also receive a discount. There is no admission fee for children under 12 who are accompanied by an adult.

Museum Island

Background

Museum Island refers to the northern half of the Spreeinsel, an island in the Spree River in the heart of Berlin that is home to some of Berlin's most famous museums. King Frederick William IV of Prussia first envisioned this cultural district in 1841. Today, the buildings on the island house the archaeological and art collections amassed in the 19th century. The Altes Museum, built in 1830 and designed by Karl Friedrich Schinkel, was the first building on the Museum Island and the first public museum in the Prussian state. It was followed by the Neues Museum (1859), the Alte Nationalgalerie (1876), the Bode Museum (1904) and the Pergamon Museum (1930).



During the Second World War, approximately 70 percent of the museum buildings were destroyed. In 1999, a Masterplan for the district was adopted to restore the buildings as well as reunify and reorganize the collections which were divided between East and West Germany at the end of the war. This has been an ongoing effort over the last ten years, with the final institution, the Neues Museum, reopened in Fall 2009.

Physical Characteristics

Content, Collections, Exhibitions and Programs

- Altes Museum- features the Greek collection of the Collection of Classical Antiquities on the ground floor, and up until the re-opening of the Neues Museum this year, the Egyptian Museum on the second floor.
- Neues Museum-now houses the Egyptian Museum and Papyrus collection including most famously the bust of Queen Nefertiti.
- Alte Nationalgalerie- houses the unified collection of East and West Berlin, a comprehensive collection of 19th century European art (made after the French Revolution and before the First World War).
- Bode Museum-since 2004 has featured the Sculpture Collection (Early Middle Ages to late 18th century), the numismatic collection, and Old Master Paintings.
- Pergamon Museum- accommodates three separate museums: the Collection of Classical Antiquities, the Museum of Ancient Near East, and Museum of Islamic Art. Most famous for monumental reconstruction of architectural wonders such as the Pergamon Altar and the Ishtar Gate.

Approximately 40 temporary exhibitions are organized throughout the five museums annually.

Attendance and Visitor Origin

Attendance to the four open facilities of Museum Island in 2007 and 2008 was approximately 3 million. There is likely visitor overlap amongst the facilities.

The Pergamon Museum sees the greatest number of visitors ranging from nearly 1.1 to 1.3 million. No attendance figures were available for the Neues Museum, which re-opened in Fall 2009.

Table 33: Museum Island Attendance 2007-8

Museum	2007	2008
Pergamon Museum	1,134,000	1,298,000
Altes Museum	1,056,000	1,080,000
Alte Nationalgalerie	371,000	287,000
Bode Museum	481,000	287,000
Neues Museum	closed	closed
Total	**3,042,000**	**2,952,000**

Source: Stiftung Preussischer Kulturbesitz

No information on visitor origin is available.

Membership

Many of the Berlin's National Museums have supporting friends associations, including some museums and collections in Museum Island. These associations fund exhibitions along with accompanying marketing and event planning for which public funding is not available. Membership fees can vary. The Verein Der Freunde Der Nationalgalerie (of which the Alte Nationalgalerie is one of three), memberships dues are €600 per annum.

Financial Profile

All Museum Island facilities are state owned and operated. No information on the overall operating budget is available.

Entrance fees can vary by exhibitions, but joint tickets to all five museums (permanent galleries and temporary exhibitions, excluding Alte Nationalgalerie) are available for €14 for adults with a discounted admission option of €7. Combination tickets for temporary and permanent exhibitions at Alte Nationalgalerie are €12 for adults and €6 for discounted tickets.

Marketing

Marketing for Museum Island is overseen by the Staatliche Museen zu Berlin. No details on marketing budgets, staff, or strategies are available.

ZKM

Background

ZKM, the Center for Art and Media, opened in its current Karlsruhe, Germany location in 1997 after fifteen years of planning. The center had been officially organized as a foundation incorporated under pubic law in 1988 by the government of the province of Baden-Württemberg.

Physical Characteristics

ZKM is housed in a former munitions factory, Industrial Works Karlsruhe Augsburg. Architects Schweger and Partner oversaw the planning, reconstruction, and renovation of the facility, which is now suited for new media technologies and artistic experimentation. Before adaptive-use plans, the museum had worked with Rem Kohlhaas on a new building, but found the expenses exceeded the allotted budget.

ZKM is divided into two museums, the Museum of Contemporary Art (7,000 square meters) and the Media Museum. There are three institutes, one for Visual Media, another for Music and Acoustics and the last for Media Education, and Economics. There is a Media Library as well as a Laboratory for the Audio and Video Collection. Other exhibition spaces include a Media Lounge and Theater. Total exhibition space at ZKM is 14,000 square meters.

Content, Collections, Exhibitions and Programs

The ZKM Museum of Contemporary Art in Atria 1 and 2 of the main building features international private collections of contemporary art. Here the museum works with non-museum collections to create thematically concentrated displays. Smaller temporary exhibitions are also organized in this museum as well as throughout ZKM's facility; there are approximately 25 per year.

The ZKM Media Museum is dedicated to interactive art, covering areas such as interactive film, simulation techniques, and software applications for the internet. This museum has one of the world's largest collections of interactive media art, with works by approximately 40 artists.

ZKM also features highly collaborative and experimental initiatives, For instance, in December 2008 the museum will preview ZKM Mobile Tagging, a new museum mediation technique featuring software that will read code photographed on a cell phone, providing participants with images, sounds, and other information throughout the museum.

Attendance and Visitor Origin

Attendance to ZKM ranges from 220,000 to 260,000 per year. In 2008 attendance was approximately 220,000. In 2009, the museum expected 250,000 visitors. Visitors are primarily, about 60 percent, residents from the local region. The remaining 40 percent are tourists, of which international tourists are 25 percent.

Pinakothek der Moderne

Background

The Pinakothek der Moderne (PdM), which was opened in 2002 in the city centre of Munich, is adjacent to the Alte Pinakothek, Neue Pinakothek, and Museum Brandhorst which together form the city's Kunstareal, or arts district. It houses various state owned collections and permanent loans from a private collection since 2004.

Physical Characteristics

The Pinakothek der Moderne, designed by Stephan Braunfels, is organized around four special collections: Art, Design, Works on Paper, and Architecture. Each corner of the building houses one of the specialties, which are all connected by a central rotunda. The museum is one of the largest in Germany dedicated to modern art, with 12,000 square meters of exhibition space.

Content, Collections, Exhibitions and Programs

PdM features four major 20th century art collections (an additional permanent exhibition space opened in 2004 a permanent exhibition space that houses permanent loans from the Danner Jewelry Collection):

- National Collection of Modern and Contemporary arts, under the supervision of the Bavarian State Painting Collection—one of Europe's finest collections of modern and contemporary art with all major movements represented. The collection is especially strong in early 20th century art, German Expressionism, contemporary art since 1960, and new media
- National Collection of Works on Paper—grown out of the Wittelsbach collection, including works on papery German, Dutch, and Italian old masters, as well as international works from the 20th century
- New Collection: National Museum for Design and Applied Arts—one of the largest collections of industrial design and other applied arts with around 70,000 objects collected since 1925
- Munich Technical university's Museum of Architecture—was started with a King's donation in 1868, features drawings, blueprints, photographs, models and other works by notable architects
- Exhibitions held in each of PdM's four quarters are rotating installations from the respective collections. There is also limited space for approximately 12 temporary exhibitions annually. Temporary exhibitions are both organized in house, relying on the vast permanent collections and in partnership with other organizations. Temporary exhibitions are typically supra-disciplinary and focused on the relationship between arts held in the separate collections.

Attendance and Visitor Origin

Attendance to Pinakothek der Moderne is estimated at approximately 700,000 visitors. The museum does not track visitor demographics. The largest number of overseas visitors (largely American, Italian, and Spanish) visit during the summer months.

Financial Profile

The four collections shown in the Pinakothek der Moderne are organized into four distinct museums that operate separately with individual directors. Overall operations are overseen by the government who approves all activities.

The Ministry of Science and Culture provides a two-year budget plan to cover operational expenses, building, staff, and administration costs. Funding for collections and exhibitions must be raised through the Foundation Pinakothek der Moderne, Friends of the Pinakothek der Moderne, Association of Supporters of the Arkitechturmuseum der Technischen Universitat Munchen, and the Danner Foundation. Earned revenue for ticket and retail sales is returned to the government.

Tickets to the museum are €10 for adults, €7 for seniors and children.

Museum of Modern Art

Background

The Museum of Modern Art (MoMA), was founded in 1929 in midtown Manhattan as a private, non-profit institution dedicated to modern visual arts. It has since grown into one of the most influential and respected museums of modern and contemporary art in the world. P.S.1 Contemporary Art Center is a MoMA satellite institution, with separate programmatic content but an affiliation for some finance and administration aspects.

Physical Characteristics

The new MoMA facility on 53rd Street, designed by Yoshio Taniguchi, opened in 2004, doubling the museum's available space. The building on the western portion of the site houses the main exhibition galleries and the Museum's first stand-alone Education and Research Center on the eastern portion of the site provide more space for classrooms, auditoriums, teacher training workshops, and the Museum's expanded Library and Archives. These two buildings frame the enlarged Abby Aldrich Rockefeller Sculpture Garden. The museum operates a number of retail outlets throughout the museum as well as the MoMA Design Store across the street. Food and beverage options range from casual grab-and-go to a more formal restaurant, the Modern. The new facility features 58,529 square meters of total space, with approximately 12,000 dedicated to exhibitions

Content, Collections, Exhibitions and Programs

The museum's renowned collection features 150,000 paintings, sculptures, drawings, prints, photographs, architectural models and drawings, and design objects as well as 20,000 films, videos, media works, film stills, scripts, posters and historical documents all from the late 19th Century to the present day.

The museum organizes a rich exhibitions schedule of approximately 40-50 shows per year. These range from large retrospectives, to blockbuster hits, to smaller experimental shows supporting emerging artists. There is also an international program of circulating exhibits, loans, and library and archives holdings.

MoMA is dedicated to education and sponsors a range of programs for school children to adults. The museum also supports publications and scholarships.

Attendance and Visitor Origin

Annual attendance to the museum is approximately 2.8 million. Based on recent survey data, 62 percent of total attendance is international tourists with an estimated 25 percent from the local New York boroughs.

Membership

The museum's membership program is one of the most successful in the United States with over 100,000 members. Annual fees for individuals start as US$ 75.

Financial Profile

MoMA has a total operating budget of US$ 125 million, of which 40-50 percent is spent on operational matters with 15 percent spent on programs and exhibitions. MoMA receives no direct government support, relying on the earned income, the private sector and its Board of Trustees. Revenue sources are as follows:

- Admissions- 20 percent
- Fundraising/Contributions-40 percent
- Endowment -30 percent
- Auxiliary Activities -10 percent

Total staffing is around 750 persons.

Museum admission is US$ 20 for adults, US$ 16 for seniors, US$ 12 for students and free for children.

Marketing

Marketing at the museum includes paid advertising, sales, public relations, social networking, and other outlets. The total marketing budget is over US$ 2 million. The museum regularly monitors tourism trends and collaborates with tourism agencies.

The museum has a two-fold marketing strategy: to drive attendance to support the exhibition program; and to generate interest and awareness of the collection and the Museum as a place to experience, learn about and enjoy modern and contemporary art. The strategy has changed to encompass the overall "experience" aspect, in addition to support for special exhibitions. The marketing budget is primarily focused on a local New York metro area audience of adults age 21 to 40, college educated, with an income of US$75,000 to US$100,000. Other audiences such as foreign and domestic tourists are reached primarily through public relations, and through associations with the New York City government tourism agency, NYC & Co.

The marketing dept currently has two full time staffers—a senior marketing coordinator and a manager of digital marketing.

The Art Institute of Chicago

Background

The Art Institute of Chicago, founded in 1879 as both a museum and school, first stood on the southwest corner of State and Monroe Streets. It opened on its present site at Michigan Avenue and Adams Street, now adjacent to Millennium Park, in 1893. The collection now encompasses more than 5,000 years of human expression from cultures around the world, and the school's graduate program is continually ranked as one of the best in the country.

Physical Characteristics

Since opening, the museum has been radically altered to accommodate a growing collection and new methods of presentation. In 2009, the museum opened a new wing at a cost of US$265 million. The expansion increased overall gallery space by 30 percent to 25,600 square meters. The museum's gross size is now 85,700 square meters.

The original building includes a library, reading room, four auditoriums, theater, and education center. The new wing added a restaurant, retail space, and a rooftop garden in addition to the expanded galleries.

Table 34: Chicago Art Institute Expansion Details

	Existing Campus	New Wing	Total	Percent Increase
Galleries	19,600	5,900	25,600	30%
Art Storage and Support	6,400	1,100	7,500	18%
Education	600	1,400	2,000	235%
Gross Square Meters	64,400	24,200	85,700	**33%**

Source: Chicago Institute of Art

Content, Collections, Exhibitions and Programs

The museum's collection is encyclopedic, including all periods of European and American paintings (prints, drawings, decorative arts, and textiles), Chinese, Japanese, Indian and Middle Eastern Art, European Medieval art, Classical art, photography, African, Pre-Hispanic and Native America art as well as architectural drawings/fragments and arms/armor.

The museum presents a wide range of temporary exhibitions (approximately 40-50 smaller exhibitions and 3 to 4 major exhibitions annually). These cover a wide range of topics all focused on the history of art.

The Art Institute has an extremely active Department of Museum Education that works closely with public and private schools, community and business organizations, and senior groups.

Attendance and Visitor Origin

Attendance to the Art Institute over the last five years has ranged from 1.3 to 1.6 million. Attendance in 2008 was 1.4 million, of which approximately one third were paid visitors, another third were free, and school children were 6 percent. The Art Institute hosts approximately 2000 school groups from Chicago and Illinois annually, of which nearly one quarter were from Chicago Public Schools.

Visitors are approximately 40 percent residents from the Chicagoland area and 60 percent tourists from farther away.

Membership

The museum has about 93,000 individual and family members and more than 130 corporate supporters. Annual membership fees are US$80 for individuals.

Financial Profile

The museum is run, owned and operated by a private non-profit foundation. The annual operating budget is nearly US$ 83 million. Earned revenues from admissions, membership dues, special exhibitions, and auxiliary activities total nearly US$ 32 million, accounting for 38 percent of total expenses. Contributions from private sources and the Chicago Park District Tax are US$ 18 million. Private contributions are 14 percent of total operating expenses, while tax revenues account for 8 percent. Nearly 40 percent of the overall operating costs are for curatorial, libraries, and collection expenses. The remainder is spent on auxiliary, program, managerial, education and other expenditures. The museum employs 547 full-time equivalent employees.

Admission to the museum is now US$ 18 for adults and US$ 12 for students and seniors. There are discounts for local residents and free admission for children, teachers, veterans, and so forth.

Marketing

Marketing at the Art Institute includes paid advertising, promotions, collateral, public relations, sales and social media all coordinated with a staff of 15-16 persons and total approximate budget of US$ 3 million. The museum's target market includes the tri-state area, with an emphasis on Chicagoland. Marketing for the museum is overseen by directors for each of marketing related departments: Marketing, Public Affairs, and Communications. The museum relies on an outside advertising agency as well.

Table 35: M+ Case Studies Characteristics

Museum	Location	2008 Attendance[1]	Year Opened	Capital Investment	Brief Description	Annual Exhibitions Program
Asia						
National Museum of Singapore	Singapore	850,000	1887; re-opened 2006	S$79 m- reopening	Singapore's oldest museum, showcasing national history from the 14th century to present in varied and cutting-edge ways	1 large temporary; permanent refreshed every few years
Mori Art Museum	Tokyo	1,300,000 [2]	2003	n/a	Features contemporary art from the Asia Pacific region; privately owned/operated	3-4 temporary
Museum of Contemporary Art, Tokyo	Tokyo	344,000	1995	US$ 460 m	Museum of modern and contemporary art; along with temporary exhibitions, rotating permanent collection exhibitions aimed at making contemporary art more understandable	6-8 rotating; includes permanent galleries
Guangdong Museum of Art	Guangzhou	245,000	1997	RMB 300 m	Focused on modern/contemporary art from Guangdong, coastal China, China, and then from around the world; photography collection particularly strong; know for Guangzhou Triennial and Photography Biennial exhibitions	60 temporary and rotating from permanent collection
Macau Museum of Art	Macau	74,000	1999	n/a	Features Chinese antiquities including ceramics, contemporary art, Western art	~15 temporary exhibitions
Taipei Fine Arts Museum	Taipei	450,000	1983	n/a	First modern/contemporary art museum in Taipei; features art from 1895-1943 and after 1983	6-8 temporary
Australian Centre for the Moving Image	Melbourne	450,000	2002	AU$ 120 m	Center for screen-based visual cultural, anchor for Federation Square development	6-8 temporary; new permanent gallery in 2009
Europe						
Tate Modern	London	4,648,000 [3]	2000	£135 m	Features national collection of art since 1900	~12 temporary in addition to permanent collection galleries
Centre Pompidou	Paris	2,743,000 [4]	1977; re-opened 2000	FRF 993 m	Paris' cross-disciplinary center for modern and contemporary arts; the Musee National d'Art Moderne features 20th century art	15-20 temporary, in addition to collections exhibitions
Guggenheim Bilbao	Bilbao	951,000	1997	US$120 m	Modern and contemporary art museum where temporary and permanent installations shown in same space	10-12 temporary alongside installations of permanent collection
Museum Island	Berlin	2,952,000 [5]	n/a	n/a	Consortium of Berlin's National Museums	~40 temporary exhibitions
ZKM	Karlsruhe	220,000	1997	n/a	Center for art and media; complex features Museum of Contemporary Art and Media Museum along with other exhibition spaces; focused on interdisciplinary projects and collaboration	~25 exhibitions alongside the installation of private collections
Pinakothek der Moderne	Munich	700,000	2002	n/a	Four museums of 20th and 21st century art, architecture, and design in one facility	~12 temporary exhibitions
USA						
Musuem of Modern Art, New York	New York City	2,800,000	1929; re-opened 2004	US$ 425 m- reopening	Museum of international modern/contemporary art	40 temporary in addition to permanent collection galleries
The Art Institute of Chicago	Chicago	1,395,000	1879; re-opened 2009	US$ 265 m - new wing	Museum run in conjunction with Art Institute, encyclopedic art exhibitions and collection	40-50 temporary in addition to permanent collection galleries
Average		**1,341,467**				
Median		**850,000**				

1/ Does not include outside facility or fundraising attendance
2/ Attendance to museum and observation deck with joint ticket
3/ Free admission to galleries
4/ Attendance to exhibitions and collections exhibitions only
5/ Combined attendance to five museums
Source: Individual Institutions, ERA AECOM

Table 36: M+ Case Studies Admission Fees

Museum	Location	2008 Attendance[1]	2009 Admission Fee (Local Currency)			2009 Admission Fee (HK$)		
			Adult	Senior	Child	Adult	Senior	Child
Asia								
National Museum of Singapore	Singapore	850,000	S$10	S$5	S$5	HKD 56	HKD 28	HKD 28
Mori Art Museum	Tokyo	1,300,000 [4]	¥1,500	¥1,500	¥1,000	HKD 128	HKD 128	HKD 85
Museum of Contemporary Art, Tokyo	Tokyo	344,000	¥500	¥250	Free	HKD 43	HKD 21	Free
Guangdong Museum of Art	Guangzhou	245,000	RMB 15	Free	RMB 7	HKD 17	Free	HKD 8
Macau Museum of Art	Macau	74,000	MOP 5	Free	Free	HKD 4.9	Free	Free
Taipei Fine Arts Museum	Taipei	450,000	NT$ 30	Free	NT$ 30	HKD 7	Free	HKD 7
Australian Centre for the Moving Image	Melbourne	450,000	Free	Free	Free	Free [2]	Free	Free
Europe								
Tate Modern	London	4,648,000 [5]	Free	Free	Free	Free [3]	Free	Free
Centre Pompidou	Paris	2,743,000 [6]	£12.00	Free	Free	HKD 139	Free	Free
Guggenheim Bilbao	Bilbao	951,000	€ 9.00	€ 4.50	Free	HKD 104	HKD 52	Free
Museum Island	Berlin	2,952,000 [7]	€ 14.00	€ 7.00	€ 7.00	HKD 162	HKD 81	HKD 81
ZKM	Karlsruhe	220,000	n/a	n/a	n/a	n/a	n/a	n/a
Pinakothek der Moderne	Munich	700,000	€ 10.00	€ 7.00	€ 7.00	HKD 116	HKD 81	HKD 81
USA								
Musuem of Modern Art, New York	New York City	2,800,000	US$ 20	US$ 16	Free	HKD 155	HKD 124	Free
The Art Institute of Chicago	Chicago	1,395,000	US$ 18	US$ 12	Free	HKD 140	HKD 93	Free
Average		**1,341,467**				**HKD 97**	**HKD 76**	**HKD 48**
Median		**850,000**				**HKD 116**	**HKD 81**	**HKD 54**

1/ Does not include outside facility or fundraising attendance
2/ Temporary exhibitions typically ticketed for adults at AU$ 15 (HKD 117)
3/ Temporary exhibitions typically ticketed for adults at £12.5 (HK$ 161)
4/ Attendance to museum and observation deck with joint ticket
5/ Free admission to galleries
6/ Attendance to exhibitions and collections exhibitions only
7/ Combined attendance to five museums
Source: Individual Institutions, ERA AECOM

Table 37: M+ Case Studies Attendance and Support Characteristics

Museum	Location	2008 Attendance[1]	% School Groups	% Paid	# Members	Membership Pricing
Asia						
National Museum of Singapore	Singapore	850,000	33%	33%	200	S$50/Annual Individual
Mori Art Museum	Tokyo	1,300,000 [4]	1%	n/a	40 corporate+1,000 individual [2] 300 museum exclusive	¥5,250/Annual Friend n/a
Museum of Contemporary Art, Tokyo	Tokyo	344,000	1%	75%	20,000	¥1,500/Annual Individual
Guangdong Museum of Art	Guangzhou	245,000	0%	50%	n/a	RMB 450/Annual Individual
Macau Museum of Art	Macau	74,000	9%	n/a	1,000	MOP 30
Taipei Fine Arts Museum	Taipei	450,000	13%	n/a	None	None
Australian Centre for the Moving Image	Melbourne	450,000	7%	n/a	None [3]	None
Europe						
Tate Modern	London	4,648,000 [5]	3%	n/a	Membership Program for all Tate Museums	£50/Annual Individual
Centre Pompidou	Paris	2,743,000 [6]	n/a	n/a	40,000	€250/Annual Sustainer
Guggenheim Bilbao	Bilbao	951,000	n/a	n/a	16,000	€40/Annual Individual
Museum Island	Berlin	2,952,000 [7]	n/a	n/a	n/a	n/a
ZKM	Karlsruhe	220,000	n/a	n/a	n/a	n/a
Pinakothek der Moderne	Munich	700,000	n/a	n/a	n/a	n/a
USA						
Musuem of Modern Art, New York	New York City	2,800,000	n/a	n/a	100,000	US$75/Annual Individual
The Art Institute of Chicago	Chicago	1,395,000	6%	36%	93,000 individual 130+ corporate	US$80/Annual Individual
Average		**1,341,467**	**8%**	**49%**		
Median		**850,000**	**6%**	**43%**		

1/ Does not include outside facility or fundraising attendance
2/ Revenue for Mori Art Museum and Contemporary (MAMC) shared three ways between Mori Art Center operations
3/ Offer free email list subscription that now has approximately 50,000 addresses
4/ Attendance to museum and observation deck with joint ticket
5/ Free admission to galleries
6/ Attendance to exhibitions and collections exhibitions only
7/ Combined attendance to five museums
Source: Individual Institutions, ERA AECOM

Table 38: M+ Case Studies Size Characteristics and Attendees per Square Meter Ratio

Museum	Location	2008 Attendance[1]	Gross Square Meters	Exhibit Square Meters	% Exhibit to Gross SM	Attendees per Exhibit SM
Asia						
National Museum of Singapore	Singapore	850,000	20,900	6,000	29%	141.7
Mori Art Museum	Tokyo	1,300,000 [2]	n/a	2,153	n/a	603.8
Museum of Contemporary Art, Tokyo	Tokyo	344,000	23,780	7,400	31%	46.5
Guangdong Museum of Art	Guangzhou	245,000	22,000	8,000	36%	30.6
Macau Museum of Art	Macau	74,000	10,192	4,000	39%	18.5
Taipei Fine Arts Museum	Taipei	450,000	20,442	11,741	57%	38.3
Australian Centre for the Moving Image	Melbourne	450,000	9,000	5,000	56%	90.0
Europe						
Tate Modern	London	4,648,000 [3]	34,500	9,127	26%	509.3
Centre Pompidou	Paris	2,743,000 [4]	103,300	18,580	18%	147.6
Guggenheim Bilbao	Bilbao	951,000	24,000	11,000	46%	86.5
Museum Island	Berlin	2,952,000 [5]	n/a	n/a	n/a	n/a
ZKM	Karlsruhe	220,000	n/a	14,000	n/a	15.7
Pinakothek der Moderne	Munich	700,000	n/a	12,000	n/a	58.3
USA						
Musuem of Modern Art, New York	New York City	2,800,000	58,529	12,000	21%	233.3
The Art Institute of Chicago	Chicago	1,395,000	64,400	19,600	30%	71.2
Average		**1,341,467**	**35,549**	**10,043**	**35%**	**149.4**
Median		**850,000**	**23,780**	**10,064**	**31%**	**78.8**

1/ Does not include outside facility or fundraising attendance
2/ Attendance to museum and observation deck with joint ticket
3/ Free admission to galleries
4/ Attendance to exhibitions and collections exhibitions only
5/ Combined attendance to five museums
Source: Individual Institutions, ERA AECOM

Table 39: M+ Case Studies Financial Characteristics

Museum	Location	Operating Budget (HK$)	Gross SM	Operating Budget per GSM	% Earned Income	% Contributed Income	Contributed Income Primary Source	Total Staff
Asia								
National Museum of Singapore	Singapore	n/a [2]	20,900	n/a	<10%	n/a	n/a	80
Mori Art Museum	Tokyo	155,000,000	n/a	n/a	50%	50%	Mori Building Corporation	50 staff; 100 guards and volunteer guides
Museum of Contemporary Art, Tokyo	Tokyo	65,875,000	23,780	HKD 2,770	24%	76%	Government disbursement	30-35
Guangdong Museum of Art	Guangzhou	23,835,000	22,000	HKD 1,083	17%	86%	Government disbursement does not cover extra staff; earn extra income with space rental	120 (80 government limit)
Macau Museum of Art	Macau	n/a	10,192	n/a	0%	100%	Government disbursement	57
Taipei Fine Arts Museum	Taipei	71,940,000	20,442	HKD 3,519	0%	100%	All generated income via operations, retail, etc returned to government	140
Australian Centre for the Moving Image	Melbourne	201,300,000	9,000	HKD 22,367	24%	82%	State government disbursement	103
Europe								
Tate Modern	London	n/a [3]	34,500	n/a	n/a	n/a	n/a	Overlap with Tate Organization
Centre Pompidou	Paris	1,320,000,000 [4]	103,300	HKD 12,778	16%	69%	Government disbursement	n/a
Guggenheim Bilbao	Bilbao	n/a	24,000	n/a	65% [5]	45%	Public funding	n/a
Museum Island	Berlin	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ZKM	Karlsruhe	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pinakothek der Moderne	Munich	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA								
Musuem of Modern Art, New York	New York City	968,750,000	58,529	HKD 16,552	30%	40%	Private sources, no government subsidy	750
The Art Institute of Chicago	Chicago	640,400,000	64,400	HKD 9,944	38%	22%	8 percent government contribution (hotel tax revenue); remainder private	547
Average		**430,888,000**	**35,549**	**HKD 9,900**	**26%**	**67%**		
Median		**178,150,000**	**23,780**	**HKD 9,900**	**24%**	**73%**		

1/ Does not include outside facility or fundraising attendance
2/ Financials only available for National Heritage Board which runs four museums including the National Museum
3/ Financials only available for Tate organization as a whole
4/ Operating budget for all Pompidou Centre operations-- not museum exclusively
5/ Generated through self-financing and may represent endowment funds and/or investment returns
Source: Individual Institutions, ERA AECOM

Table 40: M+ Case Studies Marketing Characteristics

Museum	Location	2008 Attendance[1]	Marketing Department	% Total Operating Budget	# Marketing Staff
Asia					
National Museum of Singapore	Singapore	850,000	Yes; additional National Heritage Board support	n/a	6-7, with additional support from NHB; separate sales booking department of 10-11 persons
Mori Art Museum	Tokyo	1,300,000 [2]	Yes	2 percent	
Museum of Contemporary Art, Tokyo	Tokyo	344,000	No		3 press officers
Guangdong Museum of Art	Guangzhou	245,000	No; only public relations and overseas exhibition loans/cultural exchange	Only paid advertising for exhibitions; varied by year	n/a
Macau Museum of Art	Macau	74,000	Yes	n/a	4 marketing/promotions
Taipei Fine Arts Museum	Taipei	450,000	No; divided between foreign affairs/education	n/a	n/a
Australian Centre for the Moving Image	Melbourne	450,000	Yes	10-12 percent	12-15 between marketing and communications
Europe					
Tate Modern	London	4,648,000 [3]	Overall Tate Marketing as part of Communications	n/a	n/a
Centre Pompidou	Paris	2,743,000 [4]	No, handled by various departments	n/a	24 in Communications Department alone
Guggenheim Bilbao	Bilbao	951,000	Yes	n/a	n/a
Museum Island	Berlin	2,952,000 [5]	Yes	n/a	n/a
ZKM	Karlsruhe	220,000	n/a	n/a	n/a
Pinakothek der Moderne	Munich	700,000	n/a	n/a	n/a
USA					
Musuem of Modern Art, New York	New York City	2,800,000	Yes	2 percent	n/a
The Art Institute of Chicago	Chicago	1,395,000	Yes	4 percent	15-16
Average		**1,341,467**			
Median		**850,000**			

1/ Does not include outside facility or fundraising attendance
2/ Attendance to museum and observation deck with joint ticket
3/ Free admission to galleries
4/ Attendance to exhibitions and collections exhibitions only
5/ Combined attendance to five museums
Source: Individual Institutions, ERA AECOM

Table 41: M+ Case Studies Penetration Rates

Museum	Location	2008 Attendance[1]	Visitor Origin: Resident	Visitor Origin: Tourist	Resident to Tourist Ratio	Penetration Rates: Resident	Penetration Rates: Tourist
Asia							
National Museum of Singapore	Singapore	850,000	75%	25%	1.83	12.5%	2.3%
Mori Art Museum	Tokyo	1,300,000[2]	40%	60%	1.66	3.4%	3.1%
Museum of Contemporary Art, Tokyo	Tokyo	344,000	50%	50%	1.66	1.1%	0.7%
Guangdong Museum of Art	Guangzhou	245,000	85%	15%	1.11	0.9%	0.1%
Macau Museum of Art	Macau	74,000	40%	60%	26.64	5.4%	0.3%
Taipei Fine Arts Museum	Taipei	450,000	80%	20%	n/a	3.8%	under 2%
Australian Centre for the Moving Image	Melbourne	450,000	60%	40%	3.44	12.6%	2.4%
Europe							
Tate Modern	London	4,648,000[3]	30%	70%	2.79	14.6%	12.2%
Centre Pompidou	Paris	2,743,000[4]	35%	65%	3.57	13.7%	7.1%
Guggenheim Bilbao	Bilbao	951,000	5%	95%	n/a	2.9%	over 90%
Museum Island	Berlin	2,952,000[5]	n/a	n/a	3.38	n/a	n/a
ZKM	Karlsruhe	220,000	60%	40%	n/a	2.4%	n/a
Pinakothek der Moderne	Munich	700,000	20%	80%	1.22	3.6%	11.9%
USA							
Musuem of Modern Art, New York	New York City	2,800,000	30%	70%	1.25	4.8%	8.9%
The Art Institute of Chicago	Chicago	1,395,000	40%	60%	2.15	5.7%	4.0%
Average		**1,341,467**	**46%**	**54%**	**4.22**	**6.2%**	**4.8%**
Median		**850,000**	**40%**	**60%**	**1.99**	**4.3%**	**3.1%**

1/ Does not include outside facility or fundraising attendance
2/ Attendance to museum and observation deck with joint ticket
3/ Free admission to galleries
4/ Attendance to exhibitions and collections exhibitions only
5/ Combined attendance to five museums
Source: Individual Institutions, ERA AECOM

Exhibition Centre International Case Studies

ERA AECOM reviewed the following list of institutions as Exhibition Center Case Studies:

Asia

- National Art Center, Tokyo
- Hong Kong International Exhibition Centre, Hong Kong
- Shenzhen International Centre, Shenzhen
- Shanghai International Convention Centre, Shanghai

Europe

- Business Design Centre
- Southbank Centre
- The Barbican Centre
- Earls Court & Olympia
- Messe Basel/ Art Basel

USA

- Yerba Buena Center for the Arts
- Chicago Cultural Center

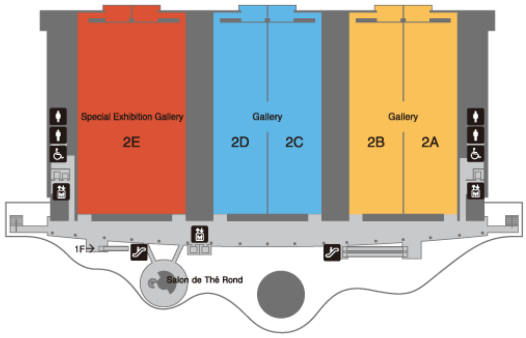
National Art Center, Tokyo

Development History

The National Art Center in Tokyo opened in January of 2007 after nearly 10 years of planning. The Government's Agency for Cultural Affairs was interested in a new national gallery and formulated the facility's overall concept. The Center has three major functions: exhibiting, collecting and disseminating information, as well as education and outreach. The Center is part of a national group of organizations under the umbrella of The Independent Administrative Institution National Museum of Art, this one with the focus to serve the 69 artist associations of Tokyo. The Center was developed at a cost of ¥35 billion.

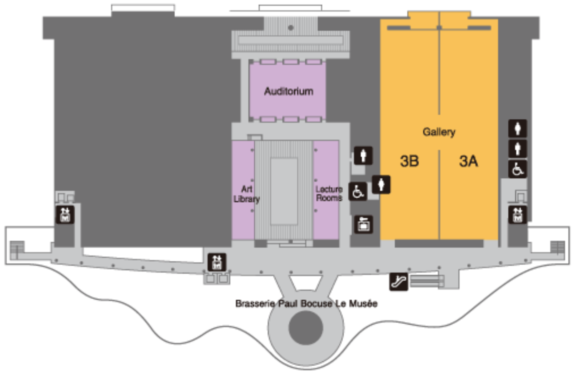
Policy Statements

The National Art Center is a unique art exhibition facility which instead of maintaining a permanent collection focuses on venue operations for exhibitions. The Center's mission is to "provide people with opportunities to experience diverse values and contribute to bringing forth a new culture based on the idea of mutual understanding and symbiotic relationship." Three kinds of exhibitions are held at the facility: 1) artist associations with a national membership base are allowed to hold their annual exhibitions in the facility; 2) the Center's curatorial staff generates special exhibitions of contemporary art in Japan and abroad; 3) exhibitions co-organized with mass media companies and other art institutions.

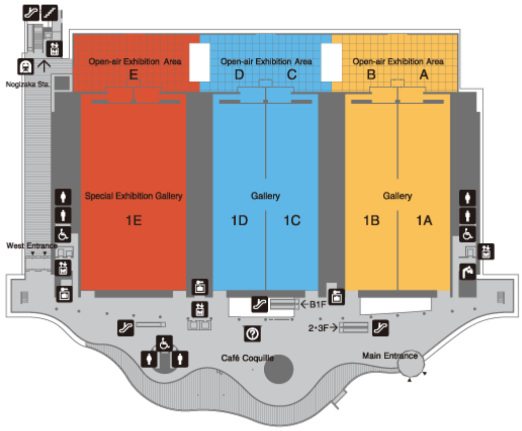


Information collected and disseminated in the art library is focused on art exhibitions held within Japan, Japanese exhibition catalogues since WWII, and other various materials related to modern and contemporary Japanese art. The Center's education and outreach mission is served by lectures, symposia, gallery talks, artist talks, internship and volunteer programs and so forth.

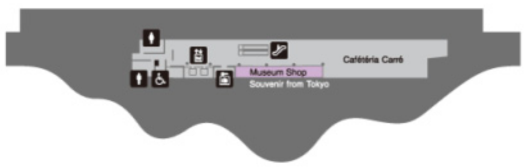
Facility Overview



Designed by architect Kisho Kurokawa, the museum includes 14,000 square meters of exhibition space. The total floor area is approximately 48,000 square feet. There are four floors above ground (including 2nd and 3rd floor mezzanines) and one basement level. There are 10 separate galleries for exhibitions by artist associations each 1,000 square meters in size. These galleries have 5-meter high ceilings and floor loading of 1.5 tons per square meter. Other facilities dedicated to artist association exhibitions include:



- 10 lounges (floors 1-3): 48-56 square meters
- 4 open-air exhibition areas (1st floor): 315 square meters
- 8 preparation areas (B1 level): 176 square meters
- 8 judging rooms (B1 level): 70 square meters
- Judging Room for Sculpture (B1 level): 324 square meters
- 8 lounges (B1 level) 25 square meters
- Photo studio (B1 level): 70 square meters
- Offices 8 rooms of 35 square meters and 2 rooms of 26 square meters
- Temporary storage: 11 rooms ranging in size from 45 to 78 square meters
- 3 truck berths
- 5 freight elevators



There are also 2 galleries dedicated to special exhibitions organized in house or in collaboration with mass-media companies or other arts organizations. Each gallery is 2,000 square meters with either 5-or 8-meter ceilings. Support facilities for these galleries include:

- 2 lounges: 103 square meters (1st floor) and 122 square meters (2nd floor)
- Open-air exhibition area: 630 square meters
- Storage facilities ranging from 88 to 216 square meters with 4-meter ceilings
- 1 truck berth
- 1 freight elevator

Other amenities at the Center include:

- 300-seat auditorium

- 4 lecture rooms
- Art library: 188 square meters
- Restaurant: 284 square meters
- Café: 138 square meters
- Museum shop

Market Orientation

The museum primarily services the artist community of Japan which is highly organized into the various associations. Other exhibitions organized by the facility feature primarily Japanese contemporary art, while larger shows organized in conjunction with mass-media companies or other institutions tend to be more international in nature. There are generally 4 large blockbusters per year and 3 smaller contemporary exhibitions.

Attendance and Utilization

The facility receives more applications from artist associations for exhibitions than they can accommodate as it is very difficult for the larger associations to find other suitable space for exhibitions in Tokyo. The contract guaranteeing artist associations space in the facility will expire in five years and negotiations for a new booking/utilization policy are currently underway.

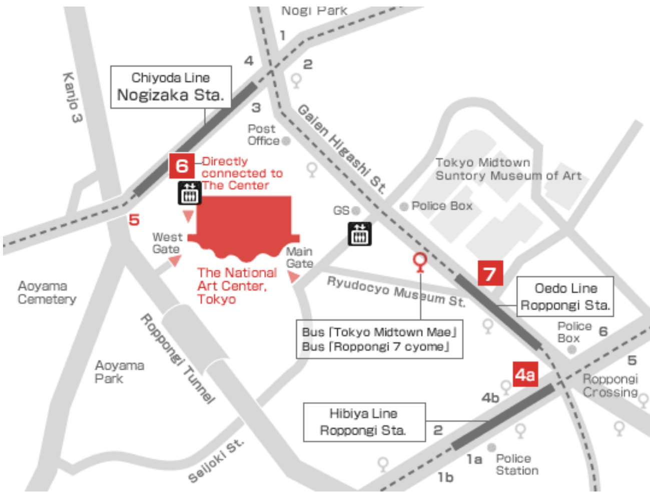
Including artist association exhibitions, free, and ticketed exhibitions, the first-year attendance to the center (2007) was 3.1 million. In 2008, total attendance was 2.3 million. Typically 30-40 percent of visitors are non-paying guests and another 3 to 4 percent are school groups. Visitors are largely from Tokyo (60-70 percent) with the remainder from the rest of Japan excluding 10 percent from overseas.

Marketing Strategy

Museum marketing is mostly sponsored by mass-media companies. Some money is allocated for advertisements, but management confirmed that the total expenditure is minimal.

Site and Relationship to Surrounding Uses

The National Art Center is part of the new cultural hub in Tokyo, the Roppongi Art Triangle, and participates in joint projects to promote the area along with the Mori Art Center, Suntory Museum of Art, and 21_21 Design Site. Admission to one facility provides visitors discounted admission to the remainder and the group co-publishes a map and exhibitions guide available at the facilities and widely in Tokyo. Roppongi institutions have also started having collaborative activities such as “Art Night in Roppongi” where the museums stay open late with joint ticketing.



Pricing

The facility is rented to the artist associations at a discounted rate ¥1 million/1,000 square meters/ two weeks including one in and out day.

Financial Performance

The annual costs to operate the facility are ¥1.5 billion. Two-thirds of the total costs are dispersed from the government , with the majority of the remaining third raised through rental fees, ticket sales, and other earned income. Sponsorships account for a small part of total revenue, but in-kind marketing and promotion sponsorships from mass media companies can be substantial. Many services at the museum are contracted out including security and the retail and restaurant space are leased to operators. The Center employs 17 permanent staff members with a few additional part-time employees.

Lessons learned

The Center's Director Hayashida Hideki offered the following comments based on his experience:

There is worldwide pressure to build big museums as income levels are rising and more people pursue culture as a leisure activity. Large cultural facilities can attract a crowd. This tendency is quite expensive, however, and can't be done without subsidy (either government or private).

Hong Kong International Exhibition Centre, Hong Kong

For details on the Hong Kong International Exhibition Centre please refer to profiles on the Hong Kong Exhibition Center Competitive Environment in Section VIII.

Shenzhen Convention Center, Shenzhen

Development History

Development for the Shenzhen Convention Center, located in downtown Shenzhen, began in 2000 with the bidding process for the architectural design. The completed project, designed by GMP opened for a trial one-year use in 2004 and officially in 2005. The facility was planned and paid for by the central government for a total sum of over RMB 3 billion.

Policy Statements

The facility has no mission statement or official policy statements. Staff, however, confirmed that the core business for the facility is made up of market sectors, most of which are technical in nature that the government has chosen to emphasize. Arts related events are only a small portion of overall bookings.

Facility Overview

In total, the convention center includes about 220,000 square meters over six floors above ground and two below. There are nine exhibition halls on the first floor, which total 105,000 square meters. The largest of these is 30,000 square meters and the smallest 7,500. There are 25 meeting rooms of different sizes, and a multi-functional hall that can accommodate about 3,000 persons. The facility is organized as follows:

- 6^{th} Floor- Cafeteria
- 5^{th} Floor- Convention Center
- 4^{th} Floor- Sightseeing Platform
- 3^{rd} Floor- Administration Area
- 2^{nd} Floor- Exhibition Service Area
- 1^{st} Floor- Exhibition Area
- -1^{st} Floor- Underground Car Park
- -2^{nd} Floor- Municipal Square and Subway Passage

Other support services at the facility include:

- Catering services and area, with seating for 700 and 2,100 in the respective rooms
- Sightseeing platform
- Exhibition services including customer service, business center, information, ticketing, and supermarket
- Car park with 2,000 spaces

Market Orientation

As the largest exhibition center in Shenzhen, the facility competes for exhibition hall business with all other major convention centers in the region. The center hosts some design and arts related events, but these are generally small in comparison to the larger tech-related events and are moving to a new purpose built arts facility in Shenzhen called City of Design.

Attendance and Utilization

The facility hosts 70 exhibitions per year and has about 40 percent utilization. A few of these events are organized in-house. Staff emphasized that even at less than half utilization, the demand on employees is quite heavy.

Marketing Strategy

The facility proactively markets to potential user groups but holds specific marketing strategies confidential.

Site and Relationship to Surrounding Uses

The Convention Center does not explicitly partner with any surrounding facilities, but does list the nearby hotels on its website. There are seven hotels within a short distance of the center, three of which are 6-star accommodations: Ritz-Carlton Shenzhen, Marco Polo Shenzhen, Shenzhen Sheraton Hotel, Golden Central Hotel, Grand Holiday Hotel, Investment Building Hotel, and Xiangmihu Longhao Holiday Hotel.

Pricing

Pricing for use of the facilities is uniform for all users at RMB 11/square meter/day including lighting/AC. Rates will fluctuate with wider economic conditions, but have been steady over the last couple of years.

Financial Performance

Management for the facility is divided into operations that handles management, sales and marketing, engineering that builds sets for exhibitors, advertising that designs ads for in- and outside the building. The center is not government funded or operated. While no specific financial information is available, staff indicated that the business is profitable and that any earnings are not returned to the government. All major maintenance expenses, are however, paid by the developer in these first five years of operation. The largest expenses for the facility are salaries, utilities, and promotion.

Shanghai International Convention Centre, Shanghai

Development History

The Shanghai International Convention Center, with convention, exhibition, and hotel facilities, opened in 1999 for the Fortune Global Forum of the Year at a cost of RMB 1 billion. Located in the heart of Lujiazui, shanghai's Financial and Trade zone, adjacent to the Oriental Pearl TV Tower along the Huangpu River, it is easily accessible from all of Shanghai with a variety of transportation options. It is owned and operated by the Shanghai Oriental Group, a state-owned enterprise.

Policy Statements

The facility's purpose is to provide location, space, and service for high-end conventions serving the wider Asian market. The facility has no official booking policy or statement. Priority is usually given to high-profile government events, such as Fortune Global Forum and APEC. The facility is known as the best multi-functional convention center and is able to charge a premium over other facilities there.

Facility Overview

The convention center has a total of 110,000 square meters. This includes the largest pillar-less multifunctional ballroom in China with 4,400 square meters. Other spaces are as follows:

- Mandarin Hall (1st floor): 960 square meters
- Century Hall (1st floor): 650 square meters
- Exhibition Halls I and II (1st floor): 2,090 and 650 square meters respectively
- Auditorium (3rd floor): 1,200 square meters with advanced audio-visual capabilities
- Yellow River Hall (3rd floor): 380 square meters with fixed, stepped seats for 246 persons
- Yangtze River Hall (5th floor): 400 square meters for round theater style
- Pearl Hall (7th floor): 850 square meters, circular space
- Grand Ballroom (7th floor): 4,400-square-meter ballroom
- Huangpu River Hall (9th floor): 380 square meters with roundtable facilities for 158 persons
- 20 conferences ranging from 50-100 square meters, distributed on 3rd and 5th floors
- VIP Lounges attached to all conference venues
- Underground garage for 400 vehicles

Market Orientation

The Shanghai International Convention Centre typically hosts conferences and exhibitions together. There are less than 5 stand-alone exhibitions annually. Conferences at this facility tend to be more academic, government, and industry related rather than corporate events. Art-related exhibitions and conferences are only a small portion of overall business.

Attendance and Utilization

The center hosts about 500 events each year for total utilization between 70 and 80 percent. The estimated number of attendees is 500,000 persons.

Marketing Strategy

As a location for high-end government events, the facility is able to easily draw customers with no special budget for marketing efforts.

Site and Relationship to Surrounding Uses

Located in the heart of the financial zone in Pudong, the facility is surrounded by many high-end international brand name hotels and attractions. Public transit options including bus lines and subway stations are nearby.

Pricing

For conferences the fee is RMB 80-100 per chair and RMB 25/square meter/day for exhibitions. This is the highest in Shanghai and increasing annually. The same pricing applies for in and out days. Discounts are only given in low season.

Financial Performance

No specifics on operating performance for the facility were available. The convention center has a staff of 700 full-time employees.

Business Design Centre

The Business Design Centre, currently owned and operated by the Business Design Centre Group (BDCG), is still a majority-owned, family business chaired by Jack Morris. The building was rescued from demolition in 1981 by the entrepreneur Sam Morris. Formerly called Royal Agricultural Hall, which was originally developed in 1861, the building served as an exhibition center for all types of uses. During World War II, the British government requisitioned the building, setting up The Inland and Foreign Parcels Office in the building, which remained there until 1971. When the government offices vacated the premises, there were no other interested tenants and the facilities entered into a state of decline.

In 1986, the building was bought for £1 million by Sam Morris, who had seen that the building was in disrepair. In total, with refurbishments and investments, the capital cost totaled £13 million: £3 million was raised by an Urban Development Grant (which no longer exists) and the remaining capital was raised from a private bank loan.

Morris was aware of the American concept of providing office space and showroom space to organizations, which could exhibit their work to the public and generate more business. He believed that the model would work in the UK and that many businesses under one roof would generate visitors. His idea of creating the first "trade mart" in the UK materialized and the first shows exhibited the specialties of the existing tenants, who produced seating and lighting products. These shows attracted architects and other design-oriented people and businesses in the industry.

Policy Statements

Although the facility does not have a mission statement, it operates under the following set of values:

Enjoyable: With striking surroundings and an open, 'can do' culture of teamwork and achievement, this is an unrivalled place to work and thrive.

Inspiring: This creative, imaginative and inspiring environment attracts and nurtures creative, imaginative and inspiring people. Very much a case of mind mirroring matter.

Table 42: Capacity and Sizing for Spaces at the BDC

Venue Areas	Theatre Capacity	Boardroom Capacity
Mezzanine	1500	-
Ground Level	-	-
Gallery Bays	-	-
Gallery Hall	650	-
Gallery Atrium	-	-
Auditorium	500	-
Room A	250	50
Room B	60	30
Room C	60	30
Room D	60	30
Room E	90	40
Room F	70	30
Room E & F	160	45
Room G	60	20
Room H	60	20
Executive Theatre	70	30
Syndicate Rooms	-	10

Exhibition Areas	Gross SQM	Net SQM
Mezzanine	2,088	1,338
Gallery Bays	1,468	1,010
Ground Level	472	353
Conference Centre	1,140	840
Gallery Hall	837	507
Gallery Atrium	558	363
Total	6,563	4,430

Source: Business of Design Centre

Innovative: Through a blend of exhibitions, events, showrooms and conferences, innovation sits at the very core of this business. There is a belief in being visionary, proactive and looking at things in fresh and original ways.

Dynamic: The motto is "act today, not tomorrow. We look to the future, don't dwell in the past. The glass is always half full, not half empty. Our attitude is have a go, don't shy away. We take risks, kick mediocrity aside and rise to every challenge."

Successful: They attempt to team intelligent people with boundless enthusiasm, good ideas with pragmatic thinking, and a creative environment with state-of-the-art facilities, to create the perfect formula for success.

Because the BDC is a for-profit center, they do not typically offer discounted rates. However, local city council is looking to hold a program during the low season, the BDC will work with them and offer discounted rates. It was noted that the business is fully dedicated to supporting the local community in which they operate.

Facility Overview

There are a total of 14 major spaces that are rented to businesses, arts groups, presenters, and other organizations. The facility details are shown in **Table 42**. The single largest space at the BDC is the mezzanine, which is typically used for conferences of up to 1,500 people.

One of the attractive features of the Business Design Center is the architecture of the building, which is oriented to allow for lots of natural light. According to management, visitors often comment on how they love the lighting and that they don't feel oppressed as in other venues. The venue operators like to think of themselves as a five-star, boutique event center that offers a higher quality of service and food at a reasonable price, relative to competitors. Their clients are generally at the upper end of the exhibition and conferencing market, and it is a popular venue for launching new companies.

It was stated that, if given the opportunity to expand, the BDC would like to add more banquet and party facilities because they feel that this sector of the events market is growing. Additionally, they would create an auditorium to accommodate about 1,000 delegates.

Market Orientation

The four major components of business at the BDC are exhibitions, conferences, banqueting events, and commercial lease of office space. The BDC holds fashion shows and other arts-related events, but most of these events have a commercial component and there are no special rates for non-profit groups.

The BDC holds the annual conference for Sony Ericsson and the Department of Trade and Industry for the UK government. The largest conference in the history of the BDC was held in January of 2009 for the Baha'I Five Year Planning Conference. Delegates from the UK, Ireland, Sweden, Norway, Finland, Denmark, Iceland, and Greenland were present. Other notable conferences are held for Deutsche Bank, Ebay, Samsonite, the BBC, and Transport for London. Other notable exhibition events include The London Wine Fair, RSVP, Exclusively Housewares, Architect Retail Lighting, and the London Art Fair. In 2010, the BDC will hold the Brand Event's parties, La Dolce Vita, in the coming year, as well. While most of the clientele are located within the UK, the BDC has increased its international profile and is growing its portfolio of international clientele every year.

Attendance and Utilization

The annual occupancy at the BDC is calculated by looking at the total floor area for rent and looking at how much is rented over 365 days (including set-up and take-down days). The average occupancy for event centers is typically around 50 percent, and it was estimated that the BDC attains close to 60 percent occupancy and is typically fully utilized during the peak seasons in the fall and spring. The months with the lowest occupancies are typically December and early January, August, and March to April.

Trade exhibitions typically last about five days, including one set-up and one take-down day. Consumer exhibitions are more like eight days, including two set-up days and one take-down day. There were approximately 80 exhibitions in 2008. Conferences can last from one to five days. The total amount of annual visitors to the BDC is estimated at around 600,000 with more than half of the visitors associated with exhibitions.

At the year ending on March 31st, 2008, 96 percent of all commercial spaces were occupied. These spaces were rented to approximately 100 diverse businesses that are involved in, for example, lighting, design, office furniture, training, financial markets, media, law, IT, recruitment, fashion, and interior design. The diversity of tenants serves as a leverage against a downturn in one particular sector.

During these recessionary times the BDC has actually held up well, according to the CEO, Dominic Jones. There is a trend, due to the downturn, for exhibitions and conferences to be smaller, and the BDC is better designed for smaller events compared to other, larger venues.

Marketing Strategy

The marketing for the Business Design Centre is done by Upper Street Event. The BDC does not spend too much on promoting the space, as the exhibitors must promote the center to generate visitation to their exhibition or other event. In an interview, Mr. Jones estimated that the total expenditure on marketing is around 5 percent of total costs. He also stated that, over time, this has and will continue to reduce. Currently, marketing expenditures are focused on promoting the centre via the website and through press releases. During any given year, the BDC might host a charitable event for an arts-related group and these events also act to promote the center.

Site and Relationship to Surrounding Uses

The BDC is within walking distance from the Angel, Kings Cross and Euston tube stations, and is located in Islington. Additionally, the center is easily accessible by bus. In the marketing materials, the location is promoted as being convenient but located outside of the congestion zone. The BDC is adjacent to the Hilton hotel (and the BDC owns the freehold of the land), and close to bars, restaurants, theatres, and other places of interest. Their website promotes the area by saying there are “more places to eat and drink than days in the year.”

Within the immediate vicinity, and within walking distance, there are approximately 2,000 hotel rooms, including the Hilton Hotel, the Holiday Inn, Novotel at Kings Cross, and the Comfort Inn. Moreover, within close proximity it is estimated that there are an additional 5,000 hotel rooms.

Pricing

Pricing for selected spaces are shown in **Table 43**.

Table 43: Rental Rates for Selected Spaces at the BDC

Space Rented	Price per day
Room A	£2,900
Room B-H	£850
Gallery Hall	£8,900
Auditorium	£6,900
Mezzanine	£15,900

Source: BDC

Financial Performance

The BDC typically generates a profit and is able to cover its operating costs from its revenues. The initial debt on the renovation of the building has been paid for, and the BDC currently services loans that have paid for more recent upkeep and renovation projects. There are about 70 directly employed staff and 25 staff in the sales department and it is estimated that payroll accounts for about 33 percent of operating expenditures.

A cash flow statement from the year ending in March 31st, 2008 is shown in **Table 44**.

Table 44: Sample Cash Flow Statement

Cashflow	2008 £'000	2007 £'000
Cashflow from Operating	4,122.00	4,988.00
Return on Investment and Servicing of Finance	83.00	34.00
Taxation	(1,444.00)	(917.00)
Capital Expenditure and Financial Investment	(766.00)	(721.00)
Purchase of Subsidiary Undertaking (Note 3)	(1,202.00) -	
Equity Dividends Paid (Note	(2,233.00)	(2,696.00)
Cash (outflow/inflow) Before Use of Liquified Resources	(1,440.00)	688.00
Financing	3,568.00	(582.00)
Increase/Decrease in Cash	2,128.00	106.00

Source: Companies House and the Business Design Centre

Southbank Centre

Development History

The Southbank Centre was built as part of the festival of Britain, which took place after the end of World War II with the intention of recovering the loss in national pride. Southbank was envisioned as a permanent centre for music and artistic life in Britain. The three main facilities, Royal Festival Hall, Queen Elizabeth Hall, and the Hayward Gallery, were all developed separately, opening in 1951, 1967 and 1968 respectively. The initial cost of development totaled £200 million and recent refurbishments have reached upwards of £111 million, much of which have been raised through the Campaign to Transform Royal Hall.

The facility is owned by the Southbank Centre, a government supported non-profit group, and it is operated by the South Bank Board Limited, which is the parent company of the Southbank Centre.

Policy Statements

The Mission Statement for the Southbank Centre is:

> *To ensure SC becomes the most vibrant, innovative, welcoming and inclusive arts complex in the world, renowned for championing the imagination of artists, audiences and communities.*

The vision is as follows:

> *To distinguish itself as a unique world cultural centre—a new model for a publicly funded arts organization placing innovative leadership, artistic adventure, creative inter-cultural partnerships and learning and participation at its core.*

As an events center with an explicit artistic endeavor, Southbank generally books groups and organizations that promote visual and performing arts.

Facility Overview

The largest space within Southbank is The Royal Festival Hall Auditorium. **Table 45** below illustrates the various event facilities and their respective sizes and capacities.

Table 45: Capacity and Sizing for Spaces at Southbank Centre

	Capacity					
Venue Areas	**Theatre**	**Cabaret**	**Seated Dinner**	**Standing**	**Square Meters**	**Notes**
Royal Festival Hall Auditorium	2500	-	-	-	-	20 Dressing rooms, Artist's Bar, Visiting Manager offices Events like Orchestral and pop concerts, converences, film screenings, graduations ceremonies
Queen Elizabeth Hall Auditorium	900	-	-	-	-	Stall seats, Green Room, Artists bar.
Purcell Room at the Queen Elizabeth Hall	360	-	-	-	-	Green Room, Artists Bar (shared with Queen Elizabeth Hall), 2 dressing rooms
Weston Roof Pavilion/St. Paul's Roof Pavilion	80	60	80	150	174	Weddings/civil partnership ceremonies
Level 5 Function Room	160	100	160	250	n/a	Conferences, meetings and workshops, receptions, and dinners, weddings, civil parnerships
Green Bar/ Blue Bar	120	70	-	200	216	
Sunley Pavilion/Level 3 Function Room	40	30	40	60	79	Breakout rooms, small meetings, receptions, and private dining
Clore Ballroom	400	280	400	800	663	
Queen Elizabeth Hall Foyer	200	200	150	900	n/a	Registration, catering, exhibition area, cabaret style events, dinners, receptions
Waterloo Sunset Pavilion (Hayward Gallery)	60	45	60	60	68	Exhibitions

Source: Southbank Centre

User Profile/ Utilization

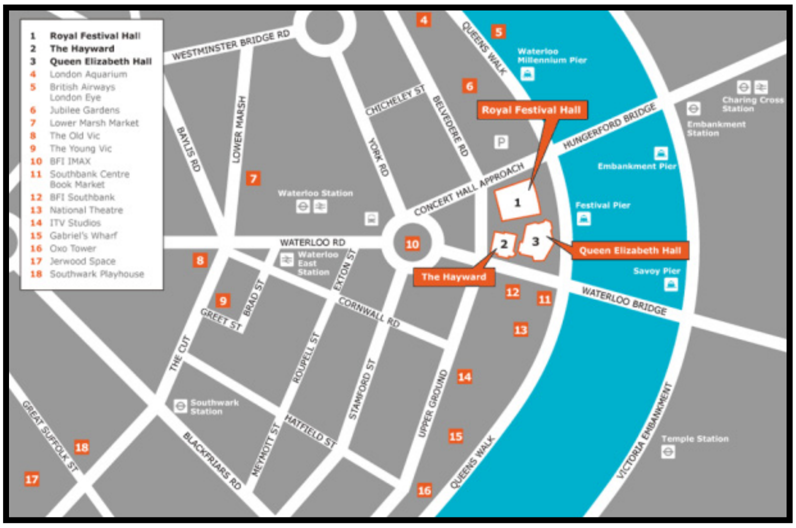
The resident artist groups include at the Southbank Centre: London Philharmonic Orchestra, Philharmonic Orchestra, London Sinfonietta, Orchestra of the Age of Enlightenment, Rafael Bonachela*,Bellowhead*, Cape Farewell, Shlomo*, Lemn Sissay*, Gauri Sharma Tripathi*, Dr Rahayu

Supanggah*, Southbank Gamelan Players. (“*” denotes that they are supported by Paul Hamlyn Foundation).

In 2008, there were approximately 1,000 music, dance, and literature performances and 200 free foyer and educational events. At the Hayward Gallery, there are approximately three to five major exhibitions per year.

Site and Relationship to Surrounding Uses

As shown below, the facilities at the Hayward are located within a close proximity of other major attractions including: the London Eye, the National Theatre, the Tate Modern, the Westminster Bridge, the Shakespeare Globe, and BFI Southbank. Most of the public facilities within the area are oriented towards the arts, whether it is performing or visual, and the multiple restaurants, cafés and shopping support this environment. The walking promenade along the water encourages entrance into the artistic venues in the area.



There are multiple hotels within the immediate vicinity of the Southbank Centre and ERA AECOM estimates that the total number of rooms within a walking distance is approximately 4,000. Moreover, Southbank Centre is a short walk away from Covent Garden and Westminster and minutes from the Waterloo, Charing Cross and Embankment London Underground and British Rail stations. Its central location is therefore key in its ability to attract renters, tenants, partnerships, and audience members.

Rates

Rental rates for the various halls are shown in **Table 46:**

Table 46: Rental Rates at the Southbank Centre

	Morning	Afternoon	Evening	All Day	1/2 day	24 hour	24 hour building closure
Royal Festival Hall Auditorium	£9,200	£9,200	£11,000	£165,000	n/a	£30,000	£70,000
Queen Elizabeth Hall Auditorium	£5,200	£5,200	£5,950	£9,450	n/a	£16,000	
Purcell Room at the Queen Elizabeth Hall	£2,300	£2,300	£2,800	£3,500	n/a	£6,900	n/a
Weston Roof Pavilion	£5,000 (corporate), £4,000 (Indv)		£5,000 (corporate), £4,000 (Indv)	£10,000 (corporate), £8,000 (Indv)	£2,500 (corporate), £2,000 (Indv)	n/a	n/a
St. Paul's Roof Pavilion	£3,000		£3,000	£6,000	£1,500	n/a	n/a
Level 5 Function Room	£2,500		£2,500	£3,750	£1,500	n/a	n/a
Green Bar/ Blue Bar	£1,000		£1,000	n/a	600	n/a	n/a
Sunley Pavilion/Level 3 Function Room	£800		£800	n/a	£450	n/a	n/a
Waterloo Sunset Pavilion (Hayward Gallery)	£3,000/£1,800 (brkfst only)		£5,000/£1,800 reception only)	n/a	n/a	n/a	n/a

Source: Southbank Centre

Financial Performance

The Southbank Centre requires an annual subsidy to cover more than 50 percent of its operating costs. In 2008, total earned income was £9,218,000 whereas operating costs were £40,804,000. Earned income, therefore, covered only about 23 percent of the operating budget. The facility services debt from renovations, and debt services increased between 2007 and 2008 from £43.7 million to £54.3 million.

Other than rent, the major sources of revenue include: donations and sponsorships (6 percent), Arts Council Grant, a federal grant (50 percent), fundraising, retail and trading (20 percent), artistic activity (24 percent), and interest receivable (0.2 percent).

It was stated that a substantial portion of operating costs are spent on charitable events, including free foyers and educational programs at the facilities and outside of the spaces. Other than charitable events and programming costs, employee costs are also a significant portion of operating expenditures. Employee costs totaled £14,213,000 in 2008, or 35 percent of the operating costs, £40,804,000. There was an increase of 100 employees between 2007 and 2008, as shown in Table 47, with many of the new employees hired to work in Visitor Services.

Table 47: Staffing Breakdown at Southbank Centre

Full and part-time employees	2008	2007
Operational services	58	49
Marketing	32	26
Press and communications	11	10
Visitor services	128	64
Retail sales	22	16
Fundraising	17	19
Performing arts	54	38
Hayward Gallery	47	43
Site project team	3	7
Management and administration	35	35
Total	**407**	**307**

Source: Southbank Centre

The Barbican Centre

Development History

The Barbican was built as the City's gift to the nation, after the area was badly bombed during World War II. It was part of an effort to rebuild the residential community, which had dwindled to 48 residents in the Cripplegate area, and only 5,324 in the whole city. With so few residents and buildings remaining in the region, the City of London Corporation agreed to a proposal to built a series of dense, multi-family housing structures, oriented towards young professionals working in the downtown, two schools and spaces for a theatre, concert hall, cinemas, galleries, libraries, and retail within integrated structures. At the time of construction, the housing structures, which have a capacity for 4,000 people, were the tallest structures in Europe. The last of eleven phases of construction included the arts center and the Guildhall School of Music and Drama, and was completed in 1982.

The total cost of the development was £156 million and was fully funded by the City of London, or more specifically, the Corporation of London. Recent refurbishments in 2002 and 2007 were funded by the city, which acts as the landlord to all of the buildings on the premise. The Arts Centre, including the cinemas, galleries, conservatory, and restaurants are all managed by the Services Division of the Barbican Centre Department whereas all public and open spaces are managed by the Department of Open Spaces within the Corporation of London.

Policy Statements

There are no official mission statements, but the "tagline" for the facility is "Do Something Different." The strategic objectives used in marketing the facility are the following:

- *To deliver to all our audiences a world-class arts, education and outreach program which combines excellence and innovation with financial sustainability, cultivating a network of sustainable partnerships, especially in East London.*
- *To maximize commercial income and activity by fully utilizing the Barbican Centre's spaces and facilities, maintaining and developing the buildings in line with business needs, commercial and artistic opportunities and our brand values.*
- *To work towards an international arts and education quarter in the City, in partnership with the Guildhall School and London Symphony Orchestra, with a unique program of artistic activity that will co-ordinate the organizations' strengths and assets in the most effective way.*
- *To drive forward and build the Barbican's Development function creating a model which underpins the excellence of the artistic program and enables new initiatives through increasing private sources of income.*

Within the facility, there are multiple spaces dedicated to performance, theatre, and film as well as general event spaces used for banquets, conferences, art exhibitions, and dinners. The dimensions for each of the 17 spaces are shown in **Table 48** and

Table 49. Marketing materials highlight the historical and architectural elements of the building as well as the acoustics, lighting, loading areas, and artist amenities, such as the green rooms and dressing rooms, as the major attractions for tenants, users, and visitors to the Barbican.

Market Orientation

The resident organization at Barbican is the London Symphony Orchestra, which conducts multiple programs within the community, including programs targeting children and people with disabilities. Most of the attendance of these events is local UK residents. Performances and commercial events attract visitors from all over the world. Local corporate clients include: RNLI, Starbucks, the Royal Television Society, and Salesforce/Dreamforce, Bearpark Publishing, Market News Services, International Deutsche Bank, Transport for London, The International Wine Challenge, Nicole Farhi Fashion Sales (fashion show), and annual general meetings for HSBC and Royal Dutch Shell PLC.

Table 48: Dimensions and Capacity for General Events

	Capacity			
Venue	**Reception**	**Dining**	**Gross SM**	**Net SM**
Stalls Floor Foyer	3,000	-	1,053	-
Ground Floor Foyer	-	-	2,229	-
Balcony Floor Foyer	-	-	1,815	-
Conference Suites	-	-		-
Boardroom	-	-	68	68
Garden Room	300	250	398	316
Conservatory	150	100	97	94
Conservatory Terrace	200	180	352	326
Exhiition Hall 1	-	-		1,697
Exhiition Hall 2	-	-		1,821
City Production Centre	4,000	1,900		-
The Curve	-	-		620

Source: The Barbican

Table 49: Performing Arts, Theatre and Cinema Spaces at the Barbican

	Capacity				Stage Dimensions						
Venue	**Stalls**	**Circle**	**Balcony/ Gallery**	**Total**	**Depth (m)**	**[max] Width (m)**		**Clearance**		**Height (m)**	**Net area (sqm)**
						Front	**Rear**	**Front**	**Rear**		
Barbican Hall	897	771	321	1989	12.4	9.8	20.1	10.3	6.7	0.91	199.4
Barbican Theatre	681	332	137	1150	13.5	16.5	-	-	-	33.5	-
Cinema 1	-	-	-	280	3.6	10.2	-	-	-	8	-
Cinema 2	-	-	-	246	4.6	7.3	-	-	-	4	-
Cinema 3	-	-	-	153	1.6	5.3	-	-	-	4	-

[1]Includes 23 wheelchair positions
[2]Plus 2 wheelchair positions
[3]Plus 1 wheelchair position
Source: The Barbican

Attendance and Utilization

It is estimated that the Barbican conference facilities host approximately 385 events per year with an estimated 85,000 delegates in attendance for the 2008/2009 year. The Exhibition Halls at the Barbican host around 30 events per year and attract between 25,000 and 40,000 delegates per year. It is estimated that more than 350,000 visitors enter the Library at the Barbican and approximately 150,000 annual visitors eat at the restaurants or visit the retail centers. Foyer events, such as international music festivals, visual arts and musical displays attract about 20,000 visitors per year, and cinema admissions totaled 158,547 in 2008, with an average of 63 people attending each screening. Attendance to musicals and performances either produced or co-produced by the Barbican saw a total of 125,791 ticket sales in 2008, with an average of 762 tickets selling per show. The total number of events, by category, hosted in 2007/2008 is shown in **Table 50**. Attendance, by event type, is further detailed in **Table 51.**

Conferences tend to be between two and three days, whereas exhibitions are between a week and multiple months, depending on the exhibitor. It was stated that seasonality very much depends on the annual programs that are scheduled for the year. Though there are no particular high or low others, during the fall months, there tend to be a large number of conference events.

In general, business is growing, with increasing revenues from commercial-related events. In 2008, the total income from conferences alone was £1.77 million, up 8 percent from the prior year. Income from cinema operations was up (by less than one percent), and income from theatre productions was up 18 percent.

Table 50: 2007/2008 Events, by Type

Conference Events		Musical Events	
Annual General Meeting (AGM)	*13*	*Promoted*	*88*
University Graduations	*41*	*Rented*	*91*
Association Mtgs	*20*	*LSO Concerts*	*77*
Other Corporate Events	*277*	*Other*	*14*
Total Conference Events	**351**	**Total Music Events**	270
Exhibitions		**Cinema**	
Trade and Consumer Exhibitions	*12*	*Performances*	*2,525*
Examinations	*14*	*Performance Days*	*362*
Other Events in the Exhibition Halls	*6*		
Total Exhibition Events	**32**		
Banqueting Events			
Weddings	*37*		
Drink Receptions	*121*		
Dinners	*27*		
Lunches	*31*		
Catering for conference events	*184*		
Total Banqueting Events	**400**		
Total Commercial Events:	**783**		

Source: The Barbican Annual Review

Table 51: Attendance of Barbican Events

Events and Attendance	Events		Attendance	
	06/07	07/08	06/07	07/08
Bite				
Barbican Theatre	194	213	118,871	138,044
The Pit	192	175	24,016	24,777
	386	**388**	**142,887**	**162,821**
Music				
Great Performance	38	36	63,160	55,755
Barbican Jazz	9	12	12,874	16,419
Mostly Mozart	18	11	23,814	15,996
World and Roots	5	2	8,423	3,607
Only Concert	6	4	11,181	4,893
Ramadan Nights	3	3	4,293	3,874
Festivals	10	16	14,169	16,997
Miscellaneous Events	2	4	3,777	8,250
London Symphony Orchestra	81	77	112,772	103,615
Other Rentals	96	91	117,388	113,289
	268	**256**	**371,851**	**342,695**
Art				
Barbican Gallery	3	2	78,795	77,214
The Curve	3	2	65,624	42,712
	6	**4**	**144,419**	**119,926**
Cinema				
First Run	2,221	2,072	108,148	102,738
Season	325	383	41,804	42,968
Screen Talk	15	23	3,692	4,205
Family Film Club	41	42	2,848	3,916
	2,602	**2,520**	**156,492**	**153,827**
Education (ticketed events)	166	226	9,498	14132
Total	–	–	**825,147**	**793,401**

Source: The Barbican

Marketing Strategy

The Barbican is home to an in-house marketing department that is headed by Chris Denton, who has received numerous accolades and awards during his tenure at the Barbican and has been largely credited for successfully boosting commercial activities at the facility. The marketing department at The Barbican now takes on external clients as part of its commercial and outreach activities. Marketing activities in 2008 comprised 29 percent of operating expenditures in 2008 and totaled £12.4 million.

The most effective marketing strategies have been through The Barbican's website (via digital-targeting marketing), community outreach, and a large rebranding initiative focusing on customer relations. The award-winning website is responsible for delivering 80 percent of all sales, and the focus on customer relations management (CRM) has been widely responsible for attracting repeat business. Specific outreach activities that target other arts groups include strategic partnerships between the resident company, London Symphony Orchestra and: the BBC Symphony Orchestra, the Michael Clark Company, Cheek by Jowl, Fabulous Beast Dance Theatre, Deborah Warner and AfroReggae/People's Palace Projects.

Site and Relationship to Surrounding Uses

The Barbican benefits from being in Central London and is surrounded by hundreds of hotels and over 10,000 hotel rooms. Within walking distance, there are more than 2,000 hotel rooms. Moreover, the centre is close to the Barbican and Mooregate underground stations and is accessible from the Liverpool St and St. Paul's underground. Other facilities which are close Barbican neighbors are the Silk Theatre, the Guildhall school, and the Museum of London. The new theatre at Guildhall, called Milton Court, is expected to be completed in 2012 and will host many products by The Barbican producing group. The Barbican has close partnerships with other arts organizations, especially in the East end of London, and is always looking for more strategic partnerships.

Pricing

Pricing at The Barbican is calculated on a daily rate. Rental rates of small meeting rooms start at £800, for up to 20 people, and reach £17,000 for up to 2,000 people. For exhibition halls, The Barbican charges a daily rate of £8,500; move-in and -out days need to be paid but may be negotiated downwards. Barbican Hall, with a capacity 1,989, can be rented for £17,000 + VAT per day, which includes a basic technical package and two foyers. The Barbican Theatre, capacity 1,150, is rented for £13,450 + VAT per day.

Financial Performance

Total operating revenue in 2008 reached £31,871,000 and was £31,794,000 in 2007. Total operating costs in 2008 were £32,159,000 in 2008 and £32,812,000 in 2007. Approximately 57 percent of the annual operating revenues at The Barbican come from the Corporation of London, which funded and paid for the construction and renovations of the facilities. Other sources of revenue come from touring productions, memberships, which totaled 15,000 in 2008, restaurant sales and retail sales.

In total there were 361 employees and 313 "casual" staff in 2008. Annual salary costs were £13,396 in 2008 (or 42 percent of operating expenditures), while overhead costs were £2,012.

Earls Court & Olympia

Development History

The venues at EC&O were all constructed at different points. The Brewery dates back to the mid-18th century when it housed a real brewery. Olympia was built in 1886 and opened on Boxing Day for the Hippodrome Circus. Earl's Court I opened in 1937 with the Chocolate and Confectionary Exhibit; the building was constructed and funded by a group of industrialists who formed Earl's Court Ltd, led by

Sir Ralph Glyn, at a total construction cost of £1.5 million. Originally developed to house an Industrialist Fair, Earl's Court I was purchased by Jeffery Sterling for £4.4 million; Sterling also purchased a large stake in the adjacent Olympia in order to join the facilities in a venue that would mimic the National Exhibition Centre (NEC) in Birmingham. The Greater London Council donated £5 million to the Earl's Court improvement program, which totaled £6.5 million, and the funds converted the dilapidated hall into a functional, world-class exhibit hall.

EC&O Venues, part of Liberty International and Capco, owns and operates the facility, which sits on land owned by Transport for London (TFL). TFL built the railway station and underground metro that runs directly underneath the venue.

In 1983, Jeffrey Sterling's company merged with P&O, a shipping, construction, property and services company of which Sterling would become the chairman. It was soon realized that extra space was necessary to grow the companies, and plans for the £100 million Earl's Court Two commenced. The hall was opened by Diana, Princess of Wales on October 17th, 1991 for the Motorfair.

Policy Statements

Although the facility does not have a mission statement, it operates on seven "key qualities:"

- Flexible space to suit any event
- Among industry leaders in customer service
- World-famous venue
- Central London location
- Wide ranging and longstanding experience
- Capable and enthusiastic team
- Ethically and environmentally responsible

According to management, the facility does not have a written book policy or give preference to any (type of) user group. Arts groups pay as normal renters and are not offered discounted rates. Arts-related events are therefore subject to the same rates and fees as all other groups.

Facility Overview

In total, the EC&O venues have 97,000 square meters of space. The gross sizes and seating capacities are shown in **Table 52**. Special features cited as major attractions to the venues are the convenient location within West London (near the highway and Heathrow International Airport), their designation as historical venues, and the high quality of service and strong orientation towards customer service.

It was stated that Earl's Court I is very old, and the organization would like to knock it down and rebuild it. Ideally, they would construct a 5,000 capacity conference center because they believe that there is a market for such a venue in London. Flexibility was cited as highly important, and EC&O would like to be able to convert the space into smaller areas. Currently, when the venue hosts small events, much of the non-rented space is wasted because it cannot be simultaneously rented to other groups. Moreover, EC&O currently has problems with loading and set-up and renters have to enter through other spaces in order to set up their rented space, which is technically not allowed by the health and safety code of the city. Soundproofing will be an important feature of any new venue;

sometimes the venue experiences conflicts between musical bands that are practicing for an event while a conference is taking place in an adjacent space.

Table 52: Dimensions and Capacity for Earl's Court and Olympia Venues

	Seated Capacity				
	Theatre Style	Dinner	Max Capacity	Total Space (sqm)	Total Ceiling Height (m)
Earl's Court I	5,000 - 17,500	4,000	20,000	41,811	35
Ground Floor				23,266	
Level Two				18,585	
Olympia Grand Hall	2,000 - 4,000	1,800 - 3,500	10,000	18,860	30.5
Earl's Court II	1,500 - 6,000	1,000 - 5,500	6,000	17,000	25
Olympia National Hall	1,000 - 2,000	700 - 2,500	2,500	8,730	
Brompton Hall, EC	900 - 2,000	900 - 2,000	2,000	5,295	
Olympia Two				7,850	
Lower Ground Floor	500 - 800	650 - 850	800	1,657	
Ground Floor				2,177	
Level One				4,016	
Earl's Court Conference Cntr			100 - 250	516	
Olympia Conference Cntr			250 - 449	988	
Museum Hall	150 - 300	100 - 500	500	1,802	
Pillar Hall			400	414	

Source: EC&O Venues

Market Orientation

As a for-profit center, there are now specific user groups that are essential for the mission of EC&O. The most important revenue generators are trade exhibitions, followed by public exhibitions, conferences, and finally large events, such as concerts. Events related to the arts are not among the core business sectors at EC&O. Clarion organizes a Fine Arts and Antiques Exhibition. Exhibition and conference clients include many national and international businesses with operations within the UK. Event performers are world-famous and come from all over the world to perform in London.

Attendance and Utilization

It is estimated that the venues host 1,000 events per year and host around 30,000 exhibiting companies annually. Major exhibitions can attract up to 15,000 visitors per day. The three major lines of business include exhibitions, conferences, and events, which is split between public events and corporate events. Since the opening of the O2 arena, EC&O has lost much of its business for large public events, but it is often used as a practice space for performers at the O2 arena.

In a typical year, EC&O will host 350 exhibitions, of which 200 will be in Olympia and 150 will be in Earl's Court I; 300 conferences, split between the Earl's Court venues and Olympia; and 13 events, of which eight are in Earls Court (I or II), and five are in Olympia. Exhibitions typically last between two and three days, exhibitions average six days, including three days of set-up and take-down, and events are usually one full day of set-up and a performance night. It is estimated that the total number of annual visitors is around 1.2 million per year.

The high seasons for conferences and exhibitions are between January and June and again in September through November, whereas there are more events during the holiday seasons of December, July and August.

Marketing Strategy

As with the Business Design Centre, EC&O venues leaves much of the advertising and marketing of specific events to the promoters, exhibitors, and other types of venue-renters. Other “free” marketing strategies include “word-of-mouth” and television publicity from, for example, the International Show Jumping event or other televised events. Their own marketing budget is spent on advertising in trade press and publications. They do not host charitable events or donate their space for arts groups.

Site and Relationship to Surrounding Uses

There are a number of cultural attractions within the general vicinity including: The Victoria & Albert Museum, The Science Museum, The National Army Museum, and The Natural History Museum. Nearby theatres include: The Baron’s Court Theatre, The Chelsea Theatre, The Royal Court Theatre, and The Chelsea Theatre. Marketing materials claim that there are 35,000 hotel beds available in the Hammersmith, Fulham, Kensington, and Chelsea area. Within walking distance, there are at least 2,000 hotel rooms.

It was stated that 75 percent of all visitors arrive by public transportation. There are three overground and underground stations within 50 meters of the venue.

Pricing

Rates for exhibitions are on a £5 per square meter, per day. Utilities are extra. Rental of conference space is £60 per head per day and includes unlimited tea and coffee and catering for one full meal. The minimum number of delegates is 100 for the Earl’s Court Conference Center and 250 for Olympia. Management charges the same rate for set-up and take-down days; however, for conferences, set-up/take-down days are discounted at between 10 and 50 percent depending on the time of day.

Financial Performance

While annual revenues cover operating costs in some years, the past year saw a net operating loss of around £7.2 million and a total loss of £7.65, shown in **Table 53**. There are no subsidies from the federal government, and the facility and organization operates on a for-profit model.

Table 53: Cash Flow Statement for Year Ending in December 31, 2008

Cashflow for Year Ending in December 31, 2008	2008 £'000	2007 £'000
Cashflow from Operating Activities	4,355	4,271
Administrative Expenses	(11,576)	(10,149)
Operating Loss	(7,221)	(5,878)
Income from shares in group undertakings	-	17,558
Interest Receivable	7,526	11,390
Interest payable in similar charges	(7,960)	(7,654)
Profit/Loss on ordinary activities before taxation	(7,655)	15,416
Taxation	-	-
Retained profit/loss for financial year	(7,655)	15,416

Source: Companies House and EC&O Venues

There are a total of 250 employees, including 150 at the Earl's Court facilities and 100 and the Olympia venue. The Earl's Court facilities house the company's headquarters and are home to staff based in IT, marketing, finance, commercial, human resources, and communication departments of the company. Staff costs totaled some £6.4 million in 2008, or 55 percent of administrative or operating expenses. Employee and staff costs are shown in **Table 54**.

Table 54: Payroll and Associated Costs

Employee/Staff Costs	2008 £'000	2007 £'000
Wages and Salaries	5,419	4,984
Social Security Costs	705	467
Other Pension Costs	291	227
Total	**6,415**	**5,678**

Source: Companies House and EC&O Venues

Messe Basel/ Art Basel

Development History

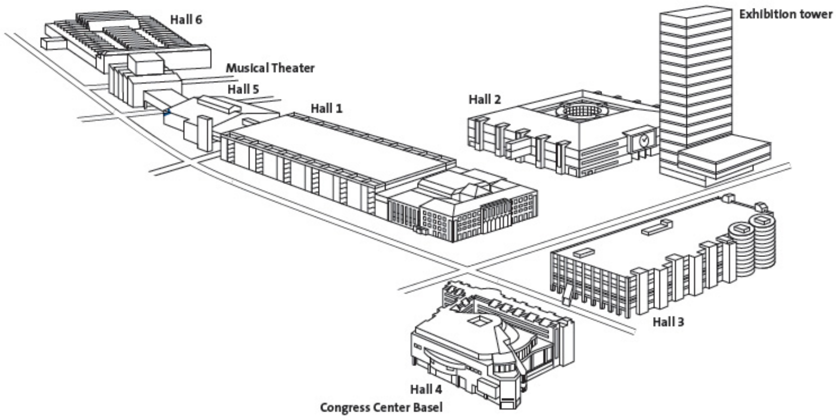
Meeting facilities in Basel, Switzerland's city center were developed in the early 1900s and have been under the operation of the MCH Group and its parent companies since 1916. The MCH Group organizes alone and in joint ventures some 30 exhibitions in Basel, Zurich, and Miami. The most famous exhibitions held at Messe Basel are BASELWORLD, the premier watch and jewelry show and the leading international art fair, Art Basel.

In 2012, an expansion project to modernize and improve the facility will be completed at a cost of 350 million Swiss francs. Architects Herzog and de Meuron have been hired to connect exhibition areas, creating a more compact facility which will shrink total exhibition space to 141,000 square meters.

Policy Statements

Along with its subsidiaries, Rufener Events Ltd. BSW, Expomobilia AG (including Techno Fot AG) and Winkler Veranstaltungstechnik AG, the MCH Group provides comprehensive services in the fields of event management, stand construction and technical systems for organized events.

Facility Overview



Messe Basel includes 162,000 square meters of exhibition space in 6 halls, a musical theater, and the Congress Center Basel which includes 16 convention and conference halls. Most spaces are multi-functional and flexible for varied use and capacity. Halls are connected by an overhead walkways and outdoor promenades.

- Hall 1: built in 1998, includes 38,000 square meters on two levels
- Hall 2: built in 1954, includes 44,000 square meters in three storeys all arranged around a central courtyard, the clock on the building' s entrance façade is the center's hallmark
- Hall 3: built in 1964, includes 36,000 square meters over 5 storeys
- Hall 4: base of Congress Center Basel with 3,700 square meters
- Congress Center Basel was built in 1984 and includes 16 meeting rooms
- Hall 5: built 1934/1989, includes 7,100 square meters with 2 storeys
- Musical Theater: 1,557-seat theater, now operated on behalf of the MCH Group by Freddy Burger Management Group
- Hall 6: non-removable stands for BASELWORLD
- 1,600 parking spaces

Market Orientation

The MCH Group has 70 percent market share for exhibitions in Switzerland. Exhibitions span industries from technically oriented conferences to luxury good trade fairs. MCH Group organized exhibitions are the art/design fair Art Basel (and at Miami Beach), BASELWORLD, Trade Fairs for industries including the building and technology sector, as well as consumer exhibitions for all kinds of products.

Attendance and Utilization

Messe Basel hosts 20 to 25 trade fairs each year and over 250 events for about 8,000 exhibitors, companies, organizations and event organizers. Total attendance to the facility is estimated at 1.3 million.

Site and Relationship to Surrounding Uses

Messe Basel is located in the city center a short distance from the historic old town, shopping area, and many of the city's cultural offerings. The city of Basel has over 50 hotels and about 3,000 rooms, many of which are conveniently located near downtown.

Financial Performance

The MCH Group generates revenues of US$300m+ per annum. Approximately 65 percent of these are from their own shows and fairs; 25 percent from event services and 5-10 percent pure rental business to outside fairs. MCH Group employs in total approximately 550 full time employees and about 1,000 part-time employees and casual workers.

Chicago Cultural Center

Development History

The Chicago Cultural Center is the main office of the Chicago Department of Cultural Affairs as well as a venue for free public performances and exhibitions. For over 100 years, the building housing the Chicago Cultural Center has been the center of the city's cultural life. Completed in 1897 at a cost of US$2 million, the building was originally created as the first permanent home of the Chicago Public Library in combination with a memorial to the Civil War veterans of the Union Army. Designed to be a grand civic building, its Classical Revival-style exterior appearance and its interior spaces are based on classical Greek and Italian Renaissance precedents. The Boston-based firm of Shepley, Rutan and Cooldige designed the building.

Famous for its Italian Carrera marble lobby inset with sparkling mosaics of glass, gold leaf, mother of pearl and precious stones, the building's glass domes, mosaics and lighting fixtures were designed and executed by the Tiffany Glass and decorating Company of New York. Saved from the wrecking ball in the 1960s, the building was rededicated as the Chicago Cultural Center where the restored grandeur of the historic interiors are a showcase for exhibits, concerts, lectures and other events, mostly parties and weddings. The building is listed on the National Register of Historic Places and also designated as a protected Chicago Landmark. The Chicago Cultural Center is now the home of the Chicago Department of Cultural Affairs and one of the city's Visitor Information Centers.

Policy Statements

The Chicago Cultural Center Foundation, which operates the facility, is a 501(c)3 organization established to preserve and enhance one of Chicago's most cherished landmarks and to ensure that it will always serve as a place where the performing and visual arts are nurtured and presented free of charge to the public. To accomplish this mission, the Foundation seeks support from government, private citizens, the business community, and other foundations. The Foundation also provides guidance in the development of the Chicago Cultural Center's programming and exhibits.

Booking policies vary for private events, public events, civic events, plays, art installations, lectures, and senior related events and between which rooms/areas are being rented. Priority in booking the facility is given to public events. There are also free public art exhibitions, theatrical events, lectures, concerts, films, dance events and tours all year long.

Facility Overview

As one of the most comprehensive free arts showcases in the United States, this landmark building is the setting for hundreds of programs and exhibitions presented annually by the Chicago Department of Cultural Affairs. Through collaborative programming, admission-free exhibitions and programs covering a wide range of the performing, visual, and literary arts are presented on practically every day of the year. The facility stretches over four and five stories for a total of 23,225 square meters. Various event spaces in the center include:

- Preston Bradley Hall (615 square meters) is the Chicago Cultural Center's major concert hall and civic reception area, a spectacular setting for regular public programs and private parties, meetings, and receptions.
- G.A.R. Rotunda (217 square meters) and Memorial Hall (422 square meters) are exquisite gathering places available for public exhibitions, performances and private events. The area also serves as an alternative to Marriage Court for Saturday morning civil wedding ceremonies.
- The Chicago Office of Tourism operates one of the city's Visitor Information Centers (234 square meters) in an area adjacent to the Randolph Lobby.
- The Sidney R. Yates Gallery (615 square meters) and Exhibit Hall (465 square meters) display major art exhibitions; the Michigan Avenue Galleries (430 square meters) showcase works in more intimate spaces; and the Chicago Rooms are used for special exhibitions.
- Landmark Chicago Gallery (hallway of 139 square meters) displays photographs from the permanent collection of the Commission on Chicago Landmarks.
- The Dance Studio (158 square meters) provides performances and rehearsal space as well as workshops.
- The 294-seat Claudia Cassidy Theater (251 square meters) features a variety of music, dance, literary, and theater presentations. In addition, the Studio Theater (167 square meters) offers a "black box" space for theater and other performances.
- Renaissance Court features programs for older adults presented by the Chicago Department on Aging (234 square meters).
- The Randolph Café is a gathering place where patrons can enjoy beverages, snacks and light lunches as well as scheduled jazz, folk, pop, blues and cabaret-style performances (325 square meter performance area and 130 square meter café area).

Ceilings in the galleries along the Michigan Avenue side of the facility and exhibit hall are 8-9 meters high.

Market Orientation

User groups for the facility are public educated, culturally active customers. The target market is anyone in Chicago interested in cultural activities ages 21 to 65, but there are also programs for families. As a free facility there are no target income brackets, but most users are middle income. During the winter months, visitation is 80 percent from the resident market, while during the summer 75 percent of visitation is tourists. Private events and weddings are most important for the facility in making money; during the first three quarters of the year the Yates Hall is used for exhibitions and then turned into a private event space for fall.

Exhibitions at the facility present a wide range of traditional and new media: painting, sculpture, photography, graphics, crafts, architecture, design, etc. A variety of contemporary, historical and cultural offerings include national travelling exhibitions as well as one-person shows by local artists. Several major exhibitions are organized annually by the Visual Arts staff as well as by guest curators. Related lectures, panel discussions, and gallery talks are scheduled. Educational programs and tours for elementary and high school students are also presented.

Major international exhibitions are mounted in the palatial Sidney R. Yates Gallery and/or in the adjacent Exhibit Hall, while the work of artists from Chicago and the Midwest is showcased in the Michigan Avenue Galleries on the first floor.

Exhibits are planned to encompass a variety of media in the following areas: Architecture, Fine Arts, Folk Arts, Crafts, and Cultural Studies. Free of charge and open to the public, the exhibits are designed to provide an opportunity for an individual's aesthetic and intellectual growth and enjoyment, and to foster public awareness of the cultural and artistic community.

Attendance and Utilization

Each year there are over 800 public programs, 500 private events and 200 civic events organized by the mayor’s office. Public exhibitions are scheduled quarterly with approximately 2 weeks move-in/move-out on each side. During high season, the fall and spring, the center runs about 20 hours per day, 7 days per week.

Marketing Strategy

The center has an in-house marketing department responsible for publicizing events. There is no advertising budget and the facility depends primarily on in-house brochures and other collateral material distributed throughout other City-owned buildings. The City run website is another primary method for marketing and there is some direct mail to members of the Mosaic Group – Friends of the Cultural Center.

The Cultural Center does no outreach to potential exhibitors, artists, and so forth. As part of the Department of Cultural Affairs, artists, performers, and others are very aware of the Cultural Center and its policies. The 100-year history of free public exhibitions brings exhibitors to their door without any outreach necessary.

Site and Relationship to Surrounding Uses

The Cultural Center takes up the entire block on Michigan Avenue and is across the street from Millennium and Grant Parks. It is within one block of “The Loop,” the Chicago Elevated subway. Of the total amount of hotel rooms in Chicago, some 33,000 (the majority) are located downtown and within walking distance or 5-minute cab ride of the Cultural Center.

Because the Department of Cultural Affairs owns/operates the Cultural Center there is considerable synergy with other department-operated venues. Exhibits are booked at Parks and Center and a combined Events Calendar is published. In total there are eleven department run venues, most within blocks of one another: The Chicago Cultural Center, The Clarke House Museum, City Gallery in the Historic Water Tower, Millennium Park, Chicago Water Works Visitor Center, Chicago's Downtown Farmstand, Daley Plaza, Maxim's International Center, Storefront Theater and World Kitchen.

The Art Institute of Chicago (Museum) is one block away at the south end of Millennium Park, which is directly across Michigan Avenue from the Cultural Center. A new walkway was opened in May, 2009 linking Millennium Park and the Art Institute.

Pricing

Pricing for private events at the facility ranges from US$5,000 for the largest halls on peak nights to US$750 for smaller spaces. Rates for non-profit organizations are discounted substantially at about 25-30 percent of corporate rates. Rates for exhibitions are negotiated on an individual basis.

Financial Performance

Earned revenues for all Department of Cultural Affairs facilities do not directly cover combined operating costs. Revenues from private events help to support public programming activities, but the center also receives an operating subsidy of US$ 3 million per year from Chicago's Department of General Services and the Hotel/Motel/Bed tax. The Cultural Center's operating budget alone is US$2 million. Earned income at the facility is US$ 571,000. The Department of Cultural Staff, which operates the Cultural Center along with the other eleven facilities, includes 179 full-time employees.

Table 55: EC Case Studies Characteristics

Exhibition Center	Location	Opening Year	Investment	Facility Operator and Owner	Brief Description
Asia					
National Art Centre	Tokyo	2007	¥ 35 billion	Concept developed by Agency for Cultural Affairs, which established an organization to oversee operations	One of five Independent Administrative Institution National Museum of Art organizations, built to support artist associations
Hong Kong International Convention Centre*	Hong Kong	1988, additions in 1997, 2009	HK$ 7.8 billion	Hong Kong Government	Serves the Southeast Asian meetings and exhibitions market, marketing itself as the gateway to China
Shenzhen International Exhibition Centre*	Shenzhen	2004	RMB 3 billion	Government paid for development, managed by private corporation	Largest facility in Shenzhen, holds all major events
Shanghai International Convention Centre*	Shanghai	1999	RMB 1 billion	Shanghai Oriental Group, a state owned enterprise	Services high-end conventions of all kind
Europe					
Business of Design Centre	London	1986	£1 million plus £13 million refurbishment	Business Design Centre Group, privately-held, majority-owned family business	Holds major conferences and exhibitions
Southbank Centre	London	1951; 1967; 1968	£200 million plus £111 million refurbishments	Southbank Centre, government supported non-profit group	Centre for music and artistic life in Britian; only small exhibition gallery
The Barbican Centre	London	1982	£156 million	Barbican Centre Development	Produces, co-produces, and rents for performing arts events
Earls Court & Olympia*	London	1937	£4.4million	EC&O Venues	Ten spaces used for large performance events, banquets, meetings spaces, and exhibitions
Messe Basel / Art Basel*	Basel	early 1900s	2012 renovation: CHF 350 million	MCH Group	Exhibition and convention facilities; largest art events organized in-house
USA					
Yerba Buena Center for the Arts	San Francisco				
Chicago Cultural Center	Chicago	1897	USD $2 million	Chicago Department of Cultural Affairs	Main office for Cultural Affairs Department and a venue for free public performances and exhibitions

Source: Individual Institutions, ERA AECOM

* Research focused on arts events

Table 56: EC Case Studies Sizing Characteristics

Exhibit Center	Location	Total Floor Area	Total Exhibition	Largest Single Usable Space	Key Facility Components
Asia					
National Art Centre	Tokyo	48,000	14,000	2,000	-12 exhibition galleries -Auditorium (300 seats), Art Library (200 sm), Restaurant and Café, and Museum shop
Hong Kong International Convention Centre*	Hong Kong	306,000	66,000	18,000	-6 exhibition halls, two convention halls, two theaters, 52 meeting rooms, and seven restaurants
Shenzhen International Exhibition Centre*	Shenzhen	105,000	90,075	30,000	8 exhibition halls, ~25 conference and meeting rooms
Shanghai International Convention Centre*	Shanghai	110,000	12,636	4,300	-convention center, exhibition area, and hotel -34 breakout rooms -International Hall (750 seats)
Europe					
Business of Design Centre	London	6,500	4,430	2,000	-high level of service -architecture of the building and natural light
Southbank Centre	London	n/a	68	n/a	-Hayward Gallery is single exhibition space; other event and performance facilities the majority of complex
The Barbican Centre	London	~5,000	3,518	n/a	- 2 cinemas, 2 exhibition halls, two major performance theatres, and 11 additional event spaces
Earls Court & Olympia*	London	~100,000	n/a	41,811	-2 dedicated conference centers, 4 performance halls
Messe Basel / Art Basel*	Basel	n/a	162,000	n/a	-six halls and convention center
USA					
Yerba Buena Center for the Arts	San Francisco				
Chicago Cultural Center	Chicago	23,226	3,000	615	-4 event halls, 3 galleries, a dance studio, 2 theatres, and a café

Source: Individual Institutions, ERA AECOM

* Research focused on arts events

Table 57: EC Case Studies Market Orientation and Utilization Profile

Exhibit Center	Location	User Profile Description	Rent Schedule	Discounted Rent for Arts Groups	Annual Occupancy	Average Length of Rental	Estimated % Arts Group Utilization	Total Visitor Attendance
Asia								
National Art Centre	Tokyo	-in house exhibitions -Tokyo artist associations exhibitions	Artist Associations- ¥1 million/1,000sm/two weeks	Rent schedule is below market value	100 percent	2-4 weeks	100 percent	2,300,000
Hong Kong International Convention Centre*	Hong Kong	-trade shows, conventions, corporate meetings	n/a	None	38,000 events or 5 per day	n/a	Art auctions-4 weeks per year	~1.5-2 million
Shenzhen International Exhibition Centre*	Shenzhen	-core business from industries the government has chosen to emphasize -organizes China Hi-tech Fair in house	RMB 11/sm/day	None	40 percent	3-4 days	-traditionally 3-4 events per year, but bookings declining	n/a
Shanghai International Convention Centre*	Shanghai	-exhibitions organized with conferences -stand alone exhibitions less than 5 per year -priority usually given to high profile government events	-RMB 80-100/chair for conference -RMB 25 m2/day	n/a; only discount in low seasons	70-80 percent	n/a	n/a	500,000
Europe								
Business of Design Centre	London	-core business from private firms, and the city of London -Exhibitions from artists, and design-related industries	£850 to £15,900 per day	None	60 percent with office space occupancy around 96 percent	-Exhibitions: 5-8 days - Conferences: 1-5 days	-3-4 arts-related events per year. Arts are not given a priority	600,000
Southbank Centre	London	-resident artist groups including Philharmonic Orchestra; three to four exhibitions in Hayward annually	£5,000 for evening reception in Hayward Gallery; other spaces range from <£1,000 to £165,000	discounted price structure for non-profit groups	n/a	n/a	n/a	n/a
The Barbican Centre	London	-London Symphony Orchestra and other school and community musical and artistic groups. -Corporate clients dominate meeting rentals -Exhibitions have some artistic focus	- £800-£17,000 per day	None. There are some discounts offered for move-in/out days	50 percent**	3-4 days	65-75 percent	~800,000
Earls Court & Olympia*	London	-events related to the arts are not at the core of the business, though there are 2-3 arts-related events per year	£5 per square meter, per day	None	n/a	-Conferences: 2-3 days -Exhibitions: 6 days	-2-3 arts-related events per year	1.2 million
Messe Basel / Art Basel*	Basel	-70 percent maket share for exhibitions in Switzerland; art related events organized in-house	n/a	n/a	n/a	n/a	n/a	1.3 million
USA								
Yerba Buena Center for the Arts	San Francisco							
Chicago Cultural Center	Chicago	-Private events, weddings, exhibitions -Main hall used for exhibitions first 3 quarters of year and for private events only in Fall	-private events -Exhibition pricing negotiated on individual basis	-discount for not-for profit organizations	-800 public programs -500 private events 200 civic event (mayor's office)	exhibitions- 2 weeks	n/a	n/a

Source: Individual Institutions, ERA AECOM

* Research focused on arts events

** ERA estimation

Table 58: EC Case Studies Financial Performance Characteristics

Exhibit Center	Location	Total Operating Budget	Sources of Revenue	Total Staff	% Marketing Budget	Arts Group Marketing
Asia						
National Art Centre	Tokyo	¥ 1.5 billion	-60 percent government subsidy -30 percent earned revenue (rental fees, ticket sales, etc)	17 permanent	Limited advertising, largely support in kind from mass media companies	n/a
Hong Kong International Convention Centre*	Hong Kong	n/a	exhibitions, trade shows, and conventions; corporate events, restaurants	850	n/a	None
Shenzhen International Exhibition Centre*	Shenzhen	Confidential	-rental fees, operates with profit (do not pay for maintenance)	n/a	Confidential	Confidential
Shanghai International Convention Centre*	Shanghai	n/a	n/a	700	n/a	n/a
Europe						
Business of Design Centre	London	£4.2 million	100 percent earned income from rentals	-70 directly employed staff - 25 marketing staff	Very little marketing. About 5 percent of budget spent on marketing	n/a
Southbank Centre	London	£ 41 million	-public subsidy of more than 50 percent -remainder from donations, grants, and earned income sources	407	n/a	n/a
The Barbican Centre	London	£32 million	-57 percent from the Corporation of London -Memberships -Touring productions	361 employees, 213 "casual staff"	298 percent of operating expenditures in 2008	
Earls Court & Olympia*	London	£11.8 million	-receives no government subsidy	250	n/a	n/a
Messe Basel / Art Basel*	Basel	n/a	+US$ 300 million per year; 65 percent from own fairs, 25 percent event services, 5-10 percent rentals	550 full-time 1,000 part-time	n/a	n/a
USA						
Yerba Buena Center for the Arts	San Francisco					
Chicago Cultural Center	Chicago	USD $2.1 million	program revenue (30 percent of operating expenses) and government support	179 for Dept of Cultural Affairs	3 percent	None other than Department of Cultural Affairs general outreach

Source: Individual Institutions, ERA AECOM

* Research focused on arts events

VII. Estimate of Attendance Potential for M+

The attendance potential of M+ is a function of numerous factors. This section discusses the quantitative and qualitative factors affecting the museum's attendance potential and then provides estimates of attendance between 2014/15 and 2030.

Attendance Analysis Methodology

Attendance at cultural facilities is a function of several factors including:

- Size and characteristics of resident and tourist markets;
- Quality, scale, and content of the cultural facility, including size and quality of the collection for art museums;
- Site location factors, including access, land availability, synergies with surrounding uses, and transportation linkages;
- Competitive environment;
- Level of investment; and
- Other factors such as pricing, market spending power, market acceptance/behavioral characteristics, etc.

Market factors define the basis from which attendance potential is derived, while the scope of the museum determines the drawing power or market penetration of the attraction. The scope and drawing power of a museum or other cultural facility is a function of numerous endogenous factors such as level of initial investment, capital reinvestment, programming, image and brand identity, as well as exogenous variables such as the competitive environment. Estimates of attendance at the proposed M+ have been based on the known market availability factors and the estimated potential of the proposed museum to capture the markets with respect to the factors discussed above.

ERA AECOM has primarily relied on a market penetration approach for our analysis. This is the most commonly accepted, industry-standard methodology for predicting attendance at cultural attractions. Market penetration measures the propensity of available market segments to visit an attraction and is generally defined as the ratio of attendees from a market to total market size. We have supplemented our penetration rate analysis with a regression analysis, as required by the West Kowloon Cultural District Authority, which is also presented within this section.

It should be noted that the planning for M+ is still in its preliminary stages, and the concept will likely evolve as the museum gets closer to opening and management and curatorial staff are hired. Therefore, in this section we have also identified a number of assumptions upon which our attendance analysis is predicated. It is important to note that alterations to these factors may materially affect the museum's ability to attain attendance within the projected range.

The purpose of this analysis is for conceptual and physical planning rather than detailed business planning. As such, the attendance estimates presented include a range of scenarios that provide a reasonable breadth of visitation number on which to base physical planning and overall marketing strategies.

Analysis of Key Ratios and Benchmarks

ERA AECOM conducted case studies of 15 art museums located in Asia, North America, Europe, and Australia and also reviewed key operating characteristics of museums in the local Hong Kong market. We presented detailed information related to these museums in Sections V and VI. In this section, we review important benchmarks and ratios that provide a foundation for our penetration rate analysis.

Attendance

Annual attendance is one benchmark that ERA AECOM examined to understand attendance potential at M+. A summary of findings is as follows:

Hong Kong Museums

- Attendance over the past five years has ranged between over 200,000 to less than 1.2 million at the major Hong Kong museums. The Museum of Science consistently receives the strongest visitation, surpassed only by the surge in attendance at the Hong Kong History Museum after opening the redesigned "Hong Kong Story" exhibition.
- While overall attendance levels have both fluctuated and increased over the years, they do not appear to be keeping pace with market growth, particularly in the visitor market. On a per capita basis, attendance levels have overall been declining over time,
- Attendance to the Hong Kong Museum of Art has been somewhat volatile, ranging from 200,000 to 600,000 depending on the exhibitions calendar. It has the second lowest market share in the Hong Kong museum market.
- School group attendance is strong at Hong Kong museums, ranging between 20 and 40 percent.

Selected International Museums

- Attendance at the reviewed international art museums ranges significantly from less than 100,000 to over 4 million in 2008. This is likely due to the broad range in types of museums selected for case study analysis. For example, the selection of case studies includes a national history museum (Singapore), an "encyclopedic" art museum (Art Institute in Chicago), and a moving image museum, all of which are very different than the concept proposed for M+.
- Of the 15 museums reviewed, only four achieved attendance levels over 2 million: Tate Modern, which has free attendance aside from special exhibitions; Centre Pompidou; MOMA New York; and Museum Island, which includes the aggregate attendance for five institutions. Only six case studies achieve over 1 million attendance including those listed above in addition to the Mori Art Museum and Art Institute of Chicago.
- In general, few museums in the world receive over 1.5 million in attendance. Most that do achieve levels over 1.5 million house major encyclopedic, world famous, iconic art collections spanning thousands of years of history that have well known, "branded" artists and artworks within their collections.
- Attendance in 2008 at the selected museums in Asia range from 74,000 to 1.3 million, with an average of 530,000. This low average is likely due, in part, to the sample which does not include any of the major institutions that presumably have higher attendance. Comparable facilities were primarily focused on modern and contemporary art museums per the client's instructions.
- School groups at the Asian museums do not comprise a major market segment, except the National Museum of Singapore which is focused on Singapore history.

Visitor Origin

Visitor origin is a function of size and quality of resident and visitor markets and the appeal and type of the museum. Science museums, for example, tend to primarily attract local residents, while famous art museums in large tourist markets tend to have a more even mix of local resident and tourists. Museums in locations with small resident populations, such as Bilbao, tend to attract primarily tourists. Below we summarize data from our research related to visitor origin.

Hong Kong Museums

- Visitation to the current Hong Kong museums is largely resident based. For most, the percentage of attendance from the local resident market is over 70 percent. The Museum of Art receives the highest percent of visitors from the tourist market at about 50 percent. Of the Art Museum's 50 percent tourist attendance, about 30 percent are from mainland China (15 percent of total attendance). There are relatively fewer Mainland Chinese visitors to Hong Kong museums, compared to the size of market.
- Proximity is a key factor in driving resident visitation to Hong Kong museums. Visitor origin rates are highest in the resident sub-market in which a particular museum is located. At the Heritage Museum the largest percentage of residents are from the New Territories and for the rest of the museums in Kowloon the largest percentage of visitation is from that sub-market.

Case Studies

- Museums in Asia tend to have a stronger resident attendance base, ranging from 40 to 85 percent of total visitation.
- Museums elsewhere achieve anywhere from 5 to 60 percent resident market attendance and are more dependent on tourists for their visitation. This statistic is also due to the selection of museums, as the museums in Asia are less well known tourist destinations than those identified for the US and Europe.

Size and Ratio of Visitors to Exhibit Area

In some types of museums, size of exhibit area has a direct correlation with attendance. However, modern and contemporary art museums, due to the variance in size of artwork, can vary widely in visitors per square meter. This metric ratio is often used for benchmarking purposes in museum economics.

Museum Size

Gross facility sizes range from 9,000 to 103,000 square meters in the international museums examined, but most are between 20,000 and 65,000 square meters. Exhibit area ranges from 2,000 SM to 20,000 square meters, with most between 6,000 and 11,000 SM. For Hong Kong museums, gross facility size ranges widely from 8,000 to 32,000 square meters. Size dedicated to exhibitions, however, is consistently around 7,000 square meters.

Ratio of Visitors to Exhibit Square Meter

The ratio of visitation to exhibit area ranges from 15 to 600 visitors per exhibit square meter for the international museums examined. There are only five museums that are over 100, and most are between 30 and 90. This is in line with worldwide industry standards.

For Hong Kong museums, the ratio of attendance to exhibit square meter ranges from 42 to 166, with an average of 88 per square meter.

Penetration Rates

Market penetration measures the propensity of available market segments to visit an attraction and is generally defined as the ratio of attendees from a market to total market size. ERA AECOM conducted an analysis of the penetration rates of each facility for resident and visitor markets (see Section VI). Penetration rates are one of the most effective mechanisms for evaluating the ability of a museum to attract audience, although they also can be affected and/or skewed by very large or very small market sizes.

Resident Market Penetration

<u>Hong Kong Museums</u>

- Resident market penetration rates are highest in resident sub-markets in which the museum is located. For the four Kowloon museums, resident market penetration rates are generally twice the penetration of Hong Kong Island and the New Territories. For the Hong Kong Heritage Museum, located in Shatin, the penetration of the New Territories market is approximately twice that of Kowloon and Hong Kong.
- In-situ, secondary, and tertiary markets for the museums based on respective locations are on average 10 percent, 6 percent, and 4 percent. Excluding the Science Museum, average penetration rates are 7 percent in the primary market, 4 percent in the secondary market, and 3 percent in the tertiary market.
- Overall resident market penetration rates for the Hong Kong museums for the past five years have ranged from 2 to 14 percent, with an average of 6.6 percent for all museums over the five-year period.
- Resident market penetration for the HK Museum of Art has ranged from 2 percent to 4.2 percent over the last five years. The five-year average is 3 percent.
- The HK Museum of Art has the lowest penetration rate into the New Territories of any non-NT museum at 0.9 percent.

<u>International Case Studies</u>

- In Asia, resident market penetration rates range from under 1 percent to nearly 20 percent. Most are between 1 and 6 percent. The National Museum of Singapore is particularly high given that it is the National Museum and includes the history of Singapore, which attracts a high level of school group attendance. A high resident market penetration rate at the Australian Centre for the Moving Image is primarily a result of small market size.
- Resident penetration rates elsewhere range from 2.4 percent to over 14 percent. The Tate Modern, with free admission, achieves the highest resident penetration rate at 14.6 percent. In a market more than twice the size of Hong Kong, the Museum of Modern Art achieves 4.8 percent market penetration. The Pompidou receives 13.7 percent in Paris, which is relatively comparable to Hong Kong in terms of size but generally a higher quality resident market which is more supportive of culture. The Pompidou also has a world-famous collection with a display of several world-famous works of art.

Tourist Penetration

<u>Hong Kong Museums</u>

- Tourist penetration rates are very consistent in the Hong Kong market for all museums and generally under 2 percent. The Hong Kong Museum of Art achieves the highest tourist penetration rate and has averaged 1.4 percent over the past several years, reaching 1.8 percent in best years.
- Penetration rates into the Mainland Chinese market are approximately 50 percent of the visitor market penetration rates for the entire tourist market.
- Overall, tourist penetration rates at the Hong Kong museums appear to be declining.

<u>International Case Studies</u>

- Tourist market penetration rates vary widely for the international case studies from under 1 percent to over 90 percent. Rates in Asia tend to be lower than case studies elsewhere as a result of the selections. The range for museums in Asia is from 0.1 percent in Guangzhou to 3.5 in Singapore. The Mori Art Museum, which has a total visitor market (both leisure and business visitors), similar in size to Hong Kong, achieves visitor penetration of 3.1 percent.
- Those elsewhere are generally between 4 and 12 percent. The Pompidou which has a similar tourist market size to Hong Kong achieves 7.1 percent tourist penetration.

Assumptions for Analysis

In order to determine reasonable penetration rates, ERA AECOM considered several factors in effect at the time of this writing. It is important to note that alterations to these factors may materially affect the facility's ability to attain attendance within the projected range. Long-term projections do not account for significant unforeseeable alterations to the world economy and tourism industry and assume the following basic conditions:

- Stable average economic growth of the Hong Kong economy with no major prolonged economic shocks;
- International economic growth with no major disruptions including, but not limited to wars, civil unrest, political or economic system upheavals/overhauls affecting major regions, or global warming issues;
- No acts of terror, severe energy crisis, or health pandemics that could fundamentally change the tourism industry;
- No natural disasters or disruptions to the fundamentals of the market economic base;
- Leisure time constraints remain stable;
- In the long term, accommodations and infrastructure can be developed to meet demand;
- Continued consumer demand for cultural products, befitting contemporary taste; and
- Long-term changes to rail and air infrastructure will not cause major negative changes to travel patterns.

In addition to the initial concept assumptions as laid out previously, ERA AECOM assumes the following characteristics and features will be embodied in M+ to achieve penetration rates and attendance levels as projected:

<u>Concept</u>

- M+ will be designed by a world-famous architect.
- The architecture of M+ will create a signature, iconic building.
- Sufficient capital will be invested into M+ to build the facility and develop the collection and exhibit, as set forth in this study.
- A premier, world-class contemporary and modern Chinese and Asian art collection will be developed and improve over time. In the interim, M+ will have adequate budget and resources to hold high-quality exhibitions, even if outside the collection.
- Standard of excellence in exhibitions, collections, programs and visitor experience for a reputation that draws visitors beyond those already interested in arts.
- It is difficult to predict how future technologies will change museums, exhibits, and the visitor experience. However, we assume that M+ will stay current and utilize state-of-the-art technologies with multiple modes of communication.
- Exhibits will engage the public through interactive and participatory mechanisms.
- M+ will include robust public programming of all types that will attract a range of visitors. Programming will appeal to target demographic and have sense of purpose, theme, and focus.
- Social, retail, and dining meeting places shall be created such that the facility is a cultural place-maker and destination.
- A link to curriculum will be developed that will encourage school groups to visit the museum.
- The existing Museum of Art differentiates its exhibits and programming so as to not compete directly with M+.
- Exhibits and programs are frequently renewed and refreshed, and new content is developed every few to several months.

Marketing

- A robust marketing program with a healthy budget will be adopted.
- Marketing will target both residents and visitors.
- M+ will work closely with the Hong Kong Education Bureau and actively market to local schools to encourage school groups to visit the museum.
- The museum will be marketed in to visitors through existing Hong Kong Tourist Board activities as well as through its own efforts. M+ will be identified as an important museum and visitor attraction in tourist media (i.e. tour books, websites, travel articles, etc.)
- Specific programs will be developed to attract and market to the Mainland Chinese market, including working with tour operators for inclusion into inbound tours.
- The museum is marketed and eventually viewed as a "must see" museum in Hong Kong for visitors and for residents.

Management, Operations, and Facility

- High-quality, international standard management and curatorial staff is hired for M+. We assume non-governmental management.
- The identified annual operating budget of HK$370 million is reasonable for a world-class museum of this scope and within the range of budgets for international benchmarks.
- We assume the operating budget will be sufficient to properly operate the facility and also allow for renewal of exhibits and development of new programs and exhibitions.
- Transportation linkages are established such that accessing the specific site location within the WKCD is not a barrier to attendance.
- The facility will be appropriately sized such that it will be large enough to draw visitors and allow for a free flowing, comfortable visitor experience. However, it will not be too large, which can negatively affect the visitor experience.
- The rest of the West Kowloon Cultural District develops as currently planned, with a number of other arts facilities close by, creating synergies for visitors.
- Supporting facilities such as cafes, restaurants, and synergistic uses are also developed to create a lively district with a high concentration of visitors.

Methodology for Development of Penetration Rates

ERA AECOM focused our penetration rate analysis initially for the first stabilized year of operations, which is typically around two years after opening and the initial year surge. After we developed the stable year projections, we then developed an opening-year attendance estimate as well as projections in five-year intervals through 2030. For planning purposes we have assumed an opening year of 2014/15, with stabilization in 2017.

Penetration rates are a proven method of understanding attendance potential and were applied to the total population of available market segments to estimate the attendance potential of M+. As mentioned earlier, market penetration measures the propensity of available market segments to visit an attraction and is generally defined as the ratio of attendees from a market to total market size.

ERA AECOM based our penetration rate analysis on the following factors:

- Quality, scale, and content of the attraction;
- Resident and tourist market size and characteristics;
- Site location and access;
- Competitive environment;

- Experience of comparable institutions internationally;
- Art museum attractors (see discussion below);
- Other factors such as pricing, market spending power, market acceptance/behavioral characteristics, etc.; and
- ERA AECOM's professional judgment and experience.

Our first level of analysis to develop our penetration rates involved the examination of penetration rates for existing Hong Kong museums over the past several years, with particular attention to the existing Hong Kong Museum of Art. We understand that M+ will differ significantly from any of the museums currently in the local market, but the ability of the current museums to attract various market segments is still instructive in providing benchmarks.

After reviewing the local museums, we then examined the ability of the international benchmarks to penetrate their resident and visitor markets, and carefully considered key differentiating factors for each museum from M+. Each comparable museum is an entirely different museum from the proposed. As part of our analysis we make decisions about what makes them different along several factors including markets, concept, content, collection, scale, branding, management, programming, etc. These decisions do not have a point scale but rather include our judgment of each facility as an entire entity.

More than any other category of museums, art museums attract visitors for numerous reasons, many of which are unrelated to collection, exhibits, or programs. Examples of art museum attractors are as follows:

- Reputation and "buzz";
- Quality of collection;
- Special exhibit – topic appeal, artist appeal, getting a lot of publicity, notorious;
- Famous artworks or objects;
- Cultural place-maker with overall campus experience including nice ambiance, food/coffee shop, garden, shopping, etc.
- Appealing or interesting (even controversial) innovative architecture by signature architect;
- Fresh and innovative approach to attract younger audience; and
- Social programs for mingling, engaging with community in social environment as well as educational and performance programs.

From our analysis of the local and international facilities, we developed a range of penetration rates, which we then adjusted based upon considerations related to the concept, site, quality of available markets, and competitive environment. Key factors that we considered related to these four topics are as follows:

Concept

There are many positive factors that will help attract visitors to M+:

- M+ will be large enough to attract people and create a comfortable visitor experience that will not be constrained by size. It will be the largest museum in Hong Kong, and while the size has not yet been precisely determined, preliminary estimates place it in the order of magnitude of some of the largest and most famous museums in the world. Scale was an important factor raised through the qualitative consumer research as a reason for not visiting Hong Kong museums.

- The world-famous architecture with an iconic design will help attract people to the facility. No other museums in Hong Kong currently embody this characteristic.
- M+ will have a large campus feeling with a café/restaurant, retail, and other visitor experiences. Visitors will be attracted to M+ for reasons other than the exhibits, collection, and/or programs.
- The "+" in M+ is a new model for Hong Kong that may help engage the community over time. It is something that does not currently exist in Hong Kong.
- New subject matter will appeal to a younger audience.
- Flexibility in themes allows for many opportunities to change programming.
- Inclusion of moving image, fashion, pop culture, etc. in themes will lead to wider appeal (beyond art fans).
- Chinese contemporary art is popular worldwide.
- Not having a large collection initially may provide for opportunities in innovation and with guest curators and may allow for a more dynamic institution.

There are also factors which may have a negative impact on attendance:

- It will take time to assemble a collection, and may be difficult if government is involved in management.
- The four topics are currently represented to some extent in existing Hong Kong museums through special exhibits. Overlap will need to be addressed.
- Local market interest in these topics as museum exhibitions may be limited.
- Breadth of the concept is difficult to communicate, and "visual culture" is not a common term, so people will not know what to expect
- The four themes, while broad, are still niche categories.
- The ultimate "product" is largely unknown now, as it will be left up to the curators and museum management.
- Modern and contemporary Chinese and Asian art may not be as well known among the general public as international modern artists.

Site Characteristics

There are many site characteristics which will have a positive impact on visitation, including:

- The location on a prominent waterfront property with views to and high visibility from Hong Kong Island.
- Access to new High Speed Rail and MTR.
- Synergies with adjacent uses.
- Location within cultural district will lead to critical mass for identification and marketing.
- Sufficient space to create large iconic building and campus.
- Accessible to all parts of Hong Kong, as it is located between Hong Kong Island and the New Territories.

There are also some site characteristics which could have a negative impact on visitation, including:

- Timing of future developments is unclear.
- Construction impact during build-out of other facilities could impact attendance.
- Public transportation to the site is still to be developed.
- Depending on location on site, access to public transit may not be efficient.
- There is currently no ferry access from Central or Wanchai planned.

- There appears to be a bias of Hong Kong Island residents against visiting Kowloon.
- Depending on location on site, M+ may not have waterfront access or a view to Hong Kong Island.

Available Markets

ERA AECOM's analysis of the available markets for M+ indicate some factors which are positive indicators for attendance to M+, including:

- The resident market is fairly self-contained. Multi-model transportation will allow most people to get to the site within 1 hour.
- Income levels in Hong Kong are high, particularly relative to elsewhere in Asia, which generally correlates with museum attendance in other parts of the world. Incomes are high enough to not form a barrier to attendance.
- Levels of higher education are similar to other major cities in the world and are increasing, which generally correlates with propensity to visit museums, particularly art museums.
- The younger audience in the Nielsen survey seemed most interested in the M+ concept. This is the target museum going audience in Hong Kong.
- The primary qualitative consumer research indicated that the scale, novelty, proposed participatory content of M+, and four themes were positive factors for attending M+, at least once.
- The visitor market is large and robust and has exhibited strong growth, particularly from the Chinese market, which has grown at a rate of 20 percent annually over the past 10 years and now comprises more than 50 percent of the entire visitor market.
- In the quantitative consumer market research, the China market generally seems interested and enthusiastic in the M+ concept relative to the Hong Kong resident market, although existing participation rates are fairly low.
- South and Southeast Asia are large source markets with high growth rates. The relatively close proximity is favorable for marketing efforts.
- The visitor market does not experience much seasonality except the Golden Weeks (which are slowly being phased out), so most peaks in visitation will likely come from special exhibitions, which can be managed through operational measures.
- The visitor market demographic is young and favorable for the project concept.

Characteristics of the available markets which may be unfavorable to attendance potential at M+ are as follows:

- The size of the resident market is fairly modest compared to other major metropolitan areas with large art museums worldwide.
- The primary resident market is smaller than the secondary and tertiary markets, which has been a factor correlated with attendance at Hong Kong museums.
- Resident market future growth is modest and constrained by limited available developable land and border, and most growth is projected for the New Territories, which is further than Kowloon and many parts of Hong Kong Island.
- One-third of the resident market is age 50 and over, which is not the target market for contemporary art museums and the four themes proposed for M+ (and is only 16 percent of the museum-going audience currently).
- There is a general lack of awareness of art museums among HK residents. Nearly half of museum goers were unable to recall any names of museums outside of Hong Kong, including museums that they visited.
- HK resident market shows relative lack of interest in visiting museums. Over 40 percent of non-museum goers indicated no interest in visiting museums.

- Visitors from China currently have the lowest museum visitation rates. Visitors from outside Asia (the smallest market segments) have the highest visitation rates. The propensity of the Chinese market to attend museums in the future is largely unknown.
- Day trippers comprise a significant portion of the visitor market, and are less likely to attend the museum. Major segment of day-trip visitors are in transit and not a viable market segment.
- Length of stay is modest.
- Visitors who come to HK are most interested in shopping and also have significant expenditures on shopping (more than hotels).

Competitive Market

- We believe that M+ as currently envisioned will outperform existing arts cultural facilities in Hong Kong. It will include a number of the “art museum attractors” that we discussed above and are missing from the existing Hong Kong inventory.
- We think that there is a market opportunity for a major art museum in Hong Kong, particularly given that Hong Kong is at the epicenter of the Chinese and Asian modern and contemporary art community, which is likely to grow in the future.
- There is currently no museum that has the proposed scale of M+ in the Hong Kong market and therefore is able to capture tourists readily.

Attendance Projection

ERA AECOM’s projected market capture rates and attendance levels for the proposed M+ in the first stabilized year of operations are shown below in **Table 59.** The resident market has been segmented by location, a primary determinant of propensity to visit cultural institutions. The visitor market has been segmented into overnight and day visitors both leisure and business. We have selected visitor market segments from which the museum is likely to achieve attendance. Mainland Chinese visitors have also been segmented as they represent a significant portion of the total market and, based upon our research, have a lower propensity to visit museums currently. Mainland visitors refer to those only from Mainland China and non-Mainland visitors refer to those visitors from elsewhere. For each identified market segment, we have provided a likely range of market capture and attendance.

Table 59: M+ Projected Attendance 2017

Market Segment	Market Projection 2017	Penetration Rate Low	Penetration Rate Mid	Penetration Rate High	Attendance Low	Attendance Mid	Attendance High
Resident							
Kowloon	2,265,700	8.0%	9.0%	11.0%	181,000	204,000	249,000
Hong Kong Island	1,341,000	4.0%	5.0%	7.0%	54,000	67,000	94,000
New Territories	3,910,600	3.0%	4.0%	5.0%	117,000	156,000	196,000
Subtotal Resident Market	**7,517,300**	**4.7%**	**5.7%**	**7.2%**	**352,000**	**427,000**	**539,000**
Non-Mainland Visitors							
Overnight Leisure	6,603,000	4.0%	5.0%	6.0%	264,000	330,000	396,000
Overnight Business & Other	3,238,000	0.4%	0.8%	1.0%	13,000	26,000	32,000
Day Leisure	849,000	0.2%	0.3%	0.4%	2,000	3,000	3,000
Subtotal non-Mainland Visitor Market	*10,690,000*	2.6%	3.4%	4.0%	279,000	359,000	431,000
Mainland Visitors							
Overnight Leisure	11,774,000	2.0%	2.5%	3.5%	235,000	294,000	412,000
Overnight Business & Other	2,708,000	0.2%	0.4%	0.6%	5,000	11,000	16,000
Day Leisure	7,882,000	0.1%	0.15%	0.2%	8,000	12,000	16,000
Subtotal Mainland Visitor Market	*22,364,000*	1.1%	1.4%	2.0%	248,000	317,000	444,000
Subtotal Visitor Market	**33,054,000**	**1.6%**	**2.0%**	**2.6%**	**527,000**	**676,000**	**875,000**
GRAND TOTAL	**40,571,300**	**2.2%**	**2.7%**	**3.5%**	**879,000**	**1,103,000**	**1,414,000**

Source: Hong Kong Tourism Bureau, Hong Kong Census and Statistics Department, ERA AECOM

As shown, ERA AECOM estimates a range of total attendance in 2017, the first stabilized operating year, of between 879,000 to 1.4 million, with a mid-scenario estimate of 1.1 million.

We expect school group attendance to range from 10 to 25 percent of total attendance, translating to 110,000 to 275,000 for the medium scenario in 2017.

Explanation of Low and High Scenarios

The range of low and high scenarios is for predictive and planning purposes and does not represent the full range of what we could expect for M+, particularly given some of the uncertainty in the concept and currently conceived. However, we have been asked to provide examples of what each scenario could represent.

The mid scenario basically assumes that M+ develops as planned and according to the majority of assumptions in our report.

In the low scenario we would expect some of the medium scenario assumptions to fail. Examples include:

- Collections do not mount up to international level of quality.
- Ineffective or inexperienced management that does not live up to the international professional management currently envisioned.
- Low-quality visitor experience, for any number of reasons.
- Insufficient operating or capital funding.
- The exhibits, activities, programs, and marketing associated with M+ do not live up to the standards currently being planned.

The high attendance scenario could occur due to a number of reasons, such as:

- Architecture provides some unique feature (e.g. observation deck with waterfront views).
- M+ acquires a world-famous collection or object.
- The quantity or quality of the projected markets expands for an unforeseen reason.
- World-famous programming, exhibitions, or curators.
- Modern and contemporary art gains worldwide popularity beyond what is predicted or foreseeable at this point in time.

Future Attendance Potential

From 2017 to 2025, ERA AECOM has held penetration rates constant. Typically as markets grow in size (and particularly in rapidly growing markets), museum penetration rates tend to decline slightly, although attendance may hold steady. This, however, assumes significant efforts to constantly refresh exhibits and programs in addition to reinvestment into the facility. It is important to note that museums that do not reinvest and renew tend to lose attendance and market share over time, despite growing markets.

Therefore, keeping penetration rates constant represents an assumption that M+ will be able to continue to attract both resident and visitor markets due to continued robust marketing programs and budgets, world-class exhibits and collection, active programming, and frequently changing programs and exhibits. We assume that the facility will be continually renewed with new investment, and that M+ will expand physically as necessary over time. We also assume that M+ will be current with any new technology trends that could affect the museum and visitor experience.

In 2030, ERA AECOM increased the penetration rate for the Mainland Chinese market slightly, with the expectation that as the Mainland Chinese market develops and incomes increase, they will become more interested in art and cultural facilities and will act more similarly to other overseas markets.

Table 60: M+ Projected Attendance 2020

Market Segment	Market Projection 2020	Penetration Rates Low	Penetration Rates Mid	Penetration Rates High	Attendance Low	Attendance Mid	Attendance High
Resident							
Kowloon	2,325,000	8.0%	9.0%	11.0%	186,000	209,000	256,000
Hong Kong Island	1,340,000	4.0%	5.0%	7.0%	54,000	67,000	94,000
New Territories	4,050,000	3.0%	4.0%	5.0%	122,000	162,000	203,000
Subtotal Resident Market	**7,715,000**	**4.7%**	**5.7%**	**7.2%**	**362,000**	**438,000**	**553,000**
Non-Mainland Visitors							
Overnight Leisure	7,269,000	4.0%	5.0%	6.0%	291,000	363,000	436,000
Overnight Business & Other	3,565,000	0.4%	0.8%	1.0%	14,000	29,000	36,000
Day Leisure	928,000	0.2%	0.3%	0.4%	2,000	3,000	4,000
Subtotal non-Mainland Visitor Market	*11,762,000*	2.6%	3.4%	4.0%	307,000	395,000	476,000
Mainland Visitors							
Overnight Leisure	13,292,000	2.0%	2.5%	3.5%	266,000	332,000	465,000
Overnight Business & Other	3,037,000	0.2%	0.4%	0.6%	6,000	12,000	18,000
Day Leisure	9,073,000	0.1%	0.15%	0.2%	9,000	14,000	18,000
Subtotal Mainland Visitor Market	*25,402,000*	1.1%	1.4%	2.0%	281,000	358,000	501,000
Subtotal Visitor Market	**37,164,000**	**1.6%**	**2.0%**	**2.6%**	**588,000**	**753,000**	**977,000**
GRAND TOTAL	**44,879,000**	**2.1%**	**2.7%**	**3.4%**	**950,000**	**1,191,000**	**1,530,000**

Source: Hong Kong Tourism Bureau, Hong Kong Census and Statistics Department, ERA AECOM

Table 61: M+ Projected Attendance 2025

Market Segment	Market Projection 2025	Penetration Rates Low	Penetration Rates Mid	Penetration Rates High	Attendance Low	Attendance Mid	Attendance High
Resident							
Kowloon	2,343,000	8.0%	9.0%	11.0%	187,000	211,000	258,000
Hong Kong Island	1,340,000	4.0%	5.0%	7.0%	54,000	67,000	94,000
New Territories	4,341,000	3.0%	4.0%	5.0%	130,000	174,000	217,000
Subtotal Resident Market	**8,024,000**	**4.6%**	**5.6%**	**7.1%**	**371,000**	**452,000**	**569,000**
Non-Mainland Visitors							
Overnight Leisure	8,381,000	4.0%	5.0%	6.0%	335,000	419,000	503,000
Overnight Business & Other	3,844,000	0.4%	0.8%	1.0%	15,000	31,000	38,000
Day Leisure	1,019,000	0.2%	0.3%	0.4%	2,000	3,000	4,000
Subtotal non-Mainland Visitor Market	*13,244,000*	2.7%	3.4%	4.1%	352,000	453,000	545,000
Mainland Visitors							
Overnight Leisure	15,579,000	2.0%	2.5%	3.5%	312,000	389,000	545,000
Overnight Business & Other	3,489,000	0.2%	0.4%	0.6%	7,000	14,000	21,000
Day Leisure	10,987,000	0.1%	0.15%	0.2%	11,000	16,000	22,000
Subtotal Mainland Visitor Market	*30,055,000*	1.1%	1.4%	2.0%	330,000	419,000	588,000
Subtotal Visitor Market	**43,299,000**	**1.6%**	**2.0%**	**2.6%**	**682,000**	**872,000**	**1,133,000**
GRAND TOTAL	**51,323,000**	**2.1%**	**2.6%**	**3.3%**	**1,053,000**	**1,324,000**	**1,702,000**

Source: Hong Kong Tourism Bureau, Hong Kong Census and Statistics Department, ERA AECOM

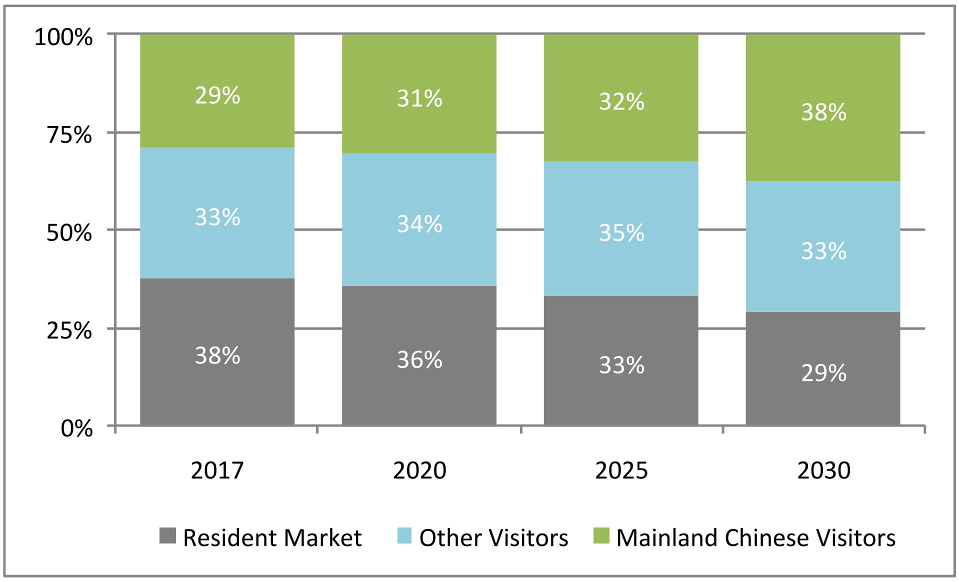
Table 62: M+ Projected Attendance 2030

Market Segment	Market Projection 2030	Penetration Rates			Attendance		
		Low	Mid	High	Low	Mid	High
Resident							
Kowloon	2,397,000	8.0%	9.0%	11.0%	192,000	216,000	264,000
Hong Kong Island	1,378,000	4.0%	5.0%	7.0%	55,000	69,000	96,000
New Territories	4,525,000	3.0%	4.0%	5.0%	136,000	181,000	226,000
Subtotal Resident Market	**8,300,000**	**4.6%**	**5.6%**	**7.1%**	**383,000**	**466,000**	**586,000**
Non-Mainland Visitors							
Overnight Leisure	9,416,000	4.0%	5.0%	6.0%	377,000	471,000	565,000
Overnight Business & Other	4,241,000	0.4%	0.8%	1.0%	17,000	34,000	42,000
Day Leisure	1,117,000	0.2%	0.3%	0.4%	2,000	3,000	4,000
Subtotal non-Mainland Visitor Market	*14,774,000*	2.7%	3.4%	4.1%	396,000	508,000	611,000
Mainland Visitors							
Overnight Leisure	17,882,000	2.0%	3.0%	4.0%	358,000	536,000	715,000
Overnight Business & Other	3,925,000	0.2%	0.4%	0.6%	8,000	16,000	24,000
Day Leisure	12,955,000	0.1%	0.15%	0.2%	13,000	19,000	26,000
Subtotal Mainland Visitor Market	*34,762,000*	1.1%	1.6%	2.2%	379,000	571,000	765,000
Subtotal Visitor Market	**49,536,000**	**1.6%**	**2.2%**	**2.8%**	**775,000**	**1,079,000**	**1,376,000**
GRAND TOTAL	**57,836,000**	**2.0%**	**2.7%**	**3.4%**	**1,158,000**	**1,545,000**	**1,962,000**

Source: Hong Kong Tourism Bureau, Hong Kong Census and Statistics Department, ERA AECOM

The distribution of residents versus tourists in the medium scenario grows from 40 percent residents and 60 percent tourists in 2017 to 30 percent residents and 70 percent tourists split by 2030. The shift in visitor origin is largely a result of the growing Mainland Chinese market.

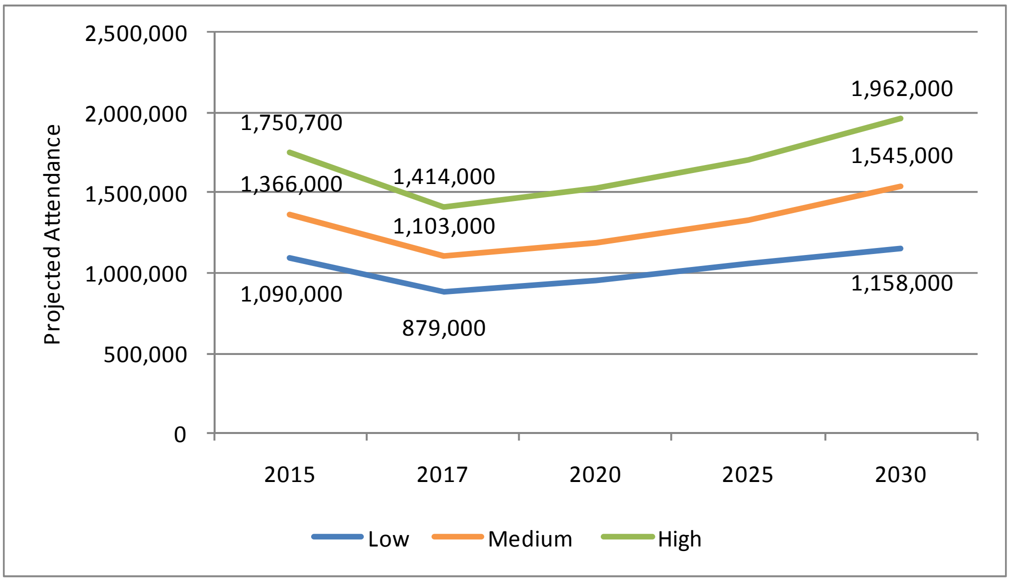
Figure 28: Visitor Origin Distribution 2017-2030



Initial Year Surge and Summary of Projected Attendance Scenarios for M+

An initial-year surge is likely as a result of increased public awareness and interest in the facility due to media and marketing efforts, special events, and the general excitement of a new cultural attraction. This surge is typically between 15 and 30 percent in the initial year, gradually declining in the second year and stabilizing in year three. In the opening year, ERA AECOM estimates a surge of 30 percent in the resident market and 20 percent surge in the tourist market. In the low scenario total attendance grows from 879,000 in 2017 to 1.2 million in 2030, with opening year attendance of 1.1 million (see Figure 29). In the medium scenario, attendance grows from 1.1 million in 2017 to 1.6 million in 2030, with opening year attendance of 1.4 million. In the high scenario, attendance grows from 1.4 million in 2017 to just less than 2 million in 2030, with opening year attendance of 1.8 million.

Figure 29: Summary of Projected M+ Attendance 2015-2030



Regression Attendance Analysis

As required in the Consultancy Brief and agreed upon in the Inception Report, ERA AECOM conducted a regression analysis on international case studies. It is our belief that the penetration rate methodology is a more useful tool for predicting attendance for museums for planning purposes, particularly given vastly different comparable institutions, a limited number of institutions, limited data, as well as fundamental differences in data collection procedures. However, we did conduct a basic regression analysis using the data that was available and have presented it below.

Methodology

ERA AECOM tabulated data on several variables for international museums selected for case studies. Museums in the competitive market were excluded from this analysis, as the international institutions are the recommended benchmarks for M+. Ultimately, available data for 14 institutions was analyzed, as Museum Island, which is a cultural district comprised of several institutions, was excluded.

Attendance at cultural institutions is dependent on any number of independent quantitative and qualitative factors. Those quantifiable variables analyzed here include:

- Gross square meters;

- Exhibit square meters;
- Size of resident and visitor markets;
- Adult admission price;
- Total operating budget;
- Total marketing budget; and
- Number of years open.

Two qualitative factors, the draw of a museum's collection and international reputation, were also approximated in this analysis. For the collections exhibitions variable, a binary was used: 1 indicates the presence of a collection as part of the visitor experience and zero the opposite. To estimate international reputation/recognition, ERA AECOM assigned values on a scale of 1 to 3 to all organizations where the 3 represents the most well-known institutions in our list (see Table 63). Scatter plots were then analyzed for these variables, followed by summarized multi-variable linear regression output statistics.

Table 63: International Reputation Rankings

Case Studies	Ranking
Guggenheim Bilbao	3
Centre Pompidou	3
Musuem of Modern Art, New York	3
The Art Institute of Chicago	3
Mori Art Museum	3
Tate Modern	3
Australian Centre for the Moving Image	2
Taipei Fine Arts Museum	2
Museum of Contemporary Art, Tokyo	2
Guangdong Museum of Art	2
National Museum of Singapore	2
Pinakothek der Moderne	2
Macau Museum of Art	1
ZKM	1

Source: ERA

Scatter Plot Results

In graphing the scatter plot relationship between attendance and the above-mentioned factors, ERA AECOM found no statistically significant correlations. This is due to the small sample size and data variance. Without analysis of attendance over time, an expanded sample size, or more complete data set, these results are statistically unreliable. ERA AECOM found no relationship between attendance and an independent variable with an R-squared greater than 0.48. That means in our best case, less than half of the variance in attendance was accounted for by the variable representing the relative strength of institutions' international reputations (see Table 64).

Table 64: R-Squared Values for Independent Variables

Independent Variables	R-Squared
Size Characteristics	
Gross Square Meters	0.3282
Exhibit Square Meters	0.0496
Market Size	
Resident Markets	0.0254
Tourist Markets	0.2586
Admission Price	0.0606
Overall Operating Budget	0.1685
Collections on display Binary	0.0228
International Reputation (1-3)	0.4879

Source: ERA AECOM

Figure 30: Scatter Plot of Facility Size Characteristics

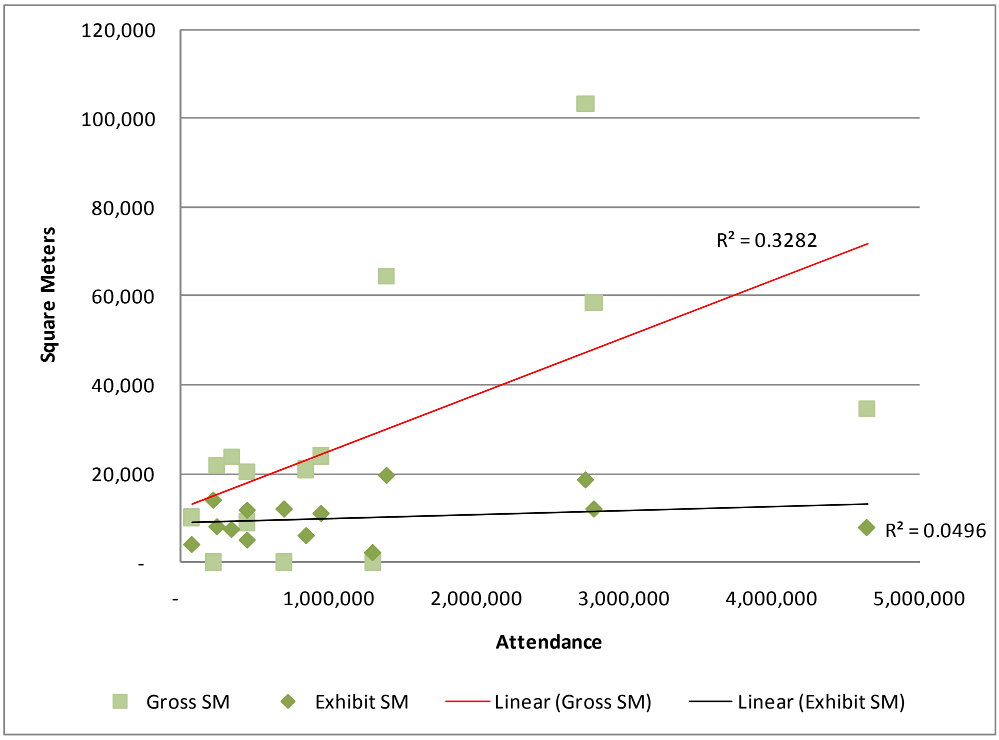


Figure 31: Scatter Plot of Market Size

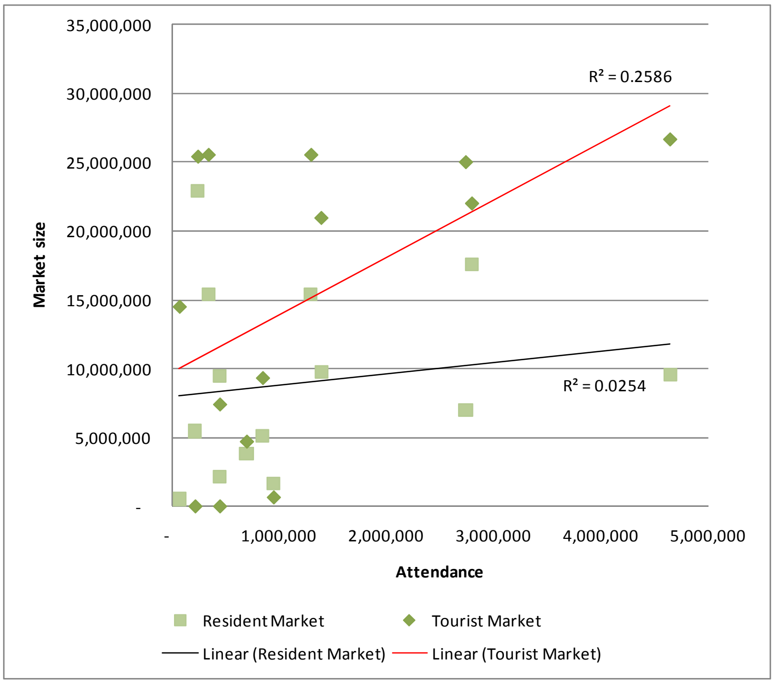


Figure 32: Scatter Plot of Admission Price

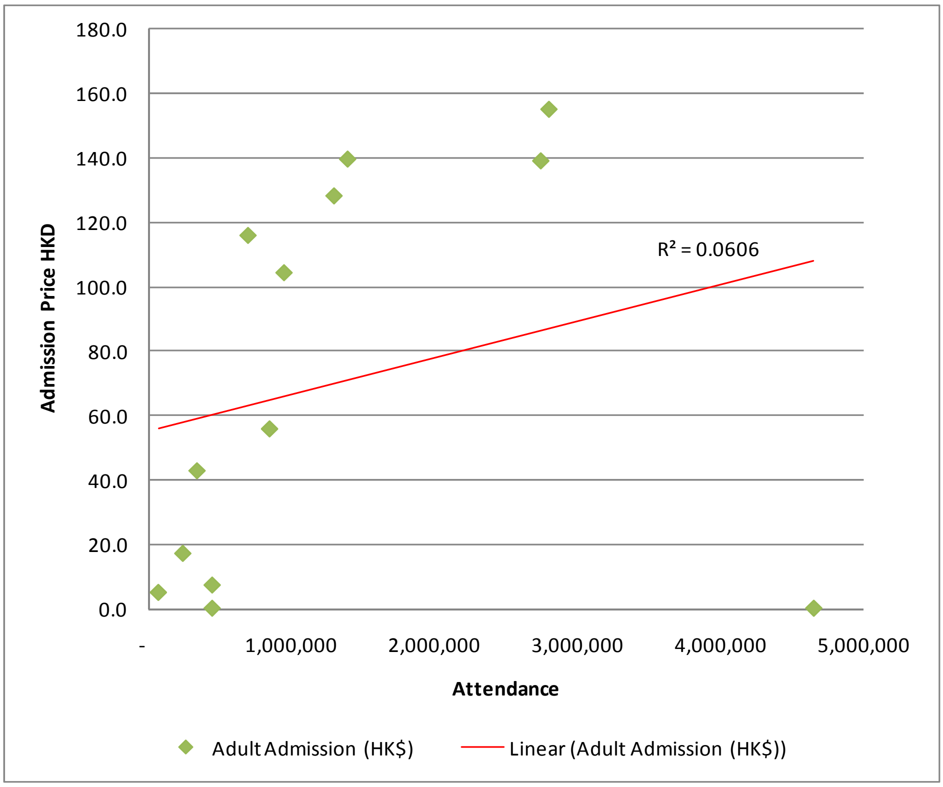


Figure 33: Scatter Plot of Overall Operating Budget

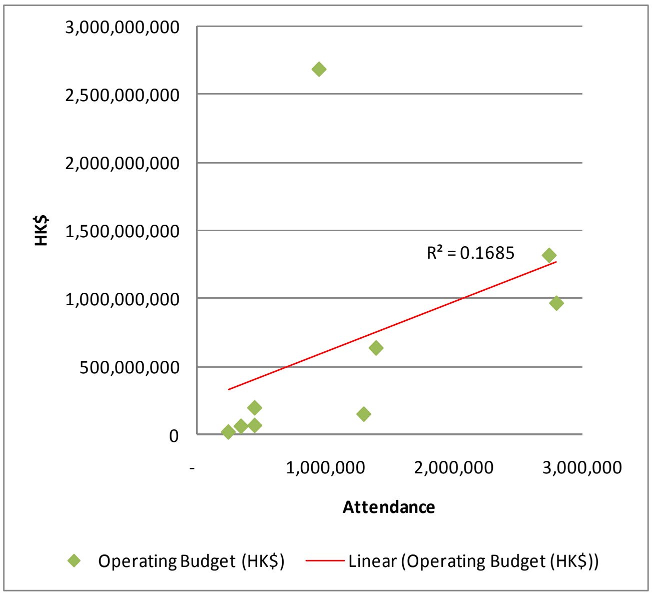


Figure 34: Scatter Plot of Collections on Display Binary

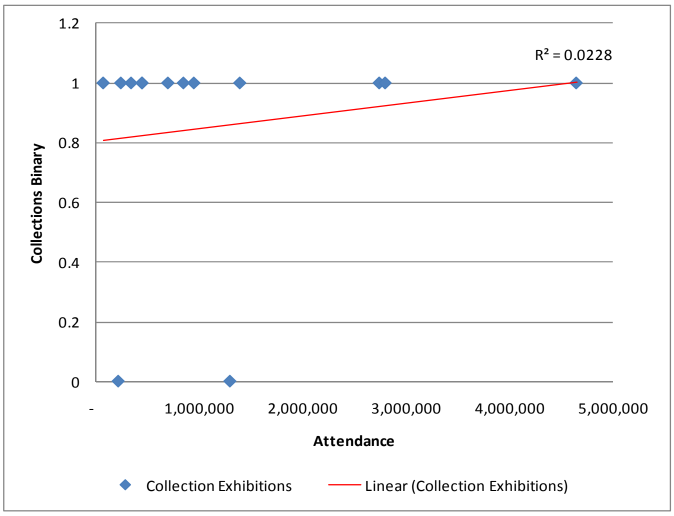
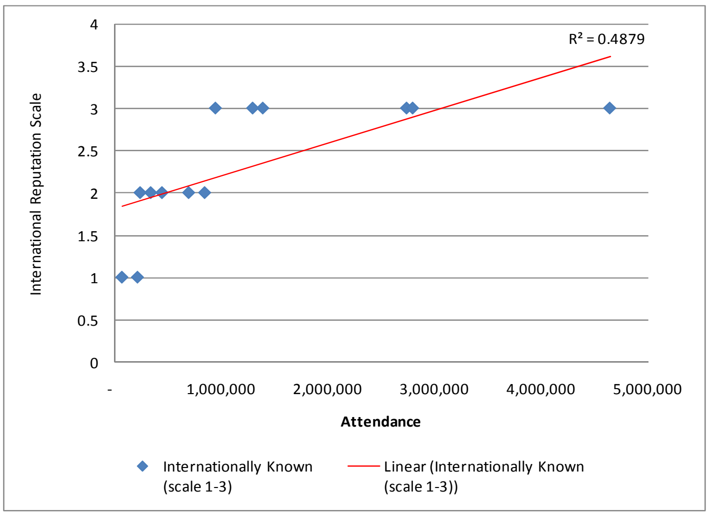


Figure 35: Scatter Plot of International Reputation



Linear Regression Results

ERA AECOM completed regressions for three scenarios with combinations of the above listed independent variables contributing to overall attendance at 14 case studies. Results from these test results are inconclusive, with many more qualitative factors contributing to attendance, and non-statistically viable results available from the small sample size.

Scenario 1

Scenario 1 includes 14 observations and all available data for each variable. Null data is represented by the numeric value zero for purposes of analysis.

The Significance F or P-value of this test was 0.63 and not low enough to reject the null hypothesis of our test that there is no correlation between our dependent and independent variables. In other words, we can be only 40 percent confident that our results are accurate, and the generally accepted minimum threshold is above 95 percent (P-value < 0.05).

Table 65: Scenario 1 Regression Statistics

Regression Statistics	
Multiple R	0.860
R Square	0.739
Adjusted R Square	-0.130
Standard Error	1392507.718
Observations	14
Significance F (P-value)	0.633

Source: ERA AECOM

Table 66: Scenario 1 Regression Statistics for Independent Variables

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-1979406.053	2504562.769	-0.790	0.487
Gross SM	16.875	38.240	0.441	0.689
Exhibit SM	14.672	153.055	0.096	0.930
Resident Market	-0.062	0.084	-0.735	0.516
Tourist Market	0.020	0.088	0.223	0.838
Collection Exhibitions	-395809.761	1288473.379	-0.307	0.779
Internationally Scale	1782296.533	958371.117	1.860	0.160
Adult Admission (HK$)	-7116.375	10633.898	-0.669	0.551
Years open	-1713.121	12872.137	-0.133	0.903
Marketing Budget (HK$)	-0.018	0.051	-0.347	0.751
Operating Budget (HK$)	-0.001	0.001	-0.688	0.541

Source: ERA AECOM

Scenario 2

The second scenario is the same as the first, except two variables with more limited data are excluded: total marketing budgets and operating budgets. Consistent marketing budget data are unavailable for 10 case studies. Operating budget details were unavailable for 5 case studies.

The Significance F for this test was 0.38 and not low enough to meet the acceptable threshold of 0.05.

Table 67: Scenario 2 Regression Statistics

Regression Statistics	
Multiple R	0.830
R Square	0.689
Adjusted R Square	0.191
Standard Error	1178163.006
Observations	14
Significance F (P-value)	0.375

Source: ERA AECOM

Table 68: Scenario 2 Regression Statistics for Independent Variables

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-1842895.598	2077328.643	-0.887	0.416
Gross SM	6.637	28.611	0.232	0.826
Exhibit SM	35.817	123.824	0.289	0.784
Resident Market	-0.061	0.071	-0.850	0.434
Tourist Market	0.050	0.062	0.808	0.456
Collection Exhibitions	-452990.304	1087450.854	-0.417	0.694
Internationally Scale	1467091.546	731051.824	2.007	0.101
Adult Admission (HK$)	-9785.934	8372.335	-1.169	0.295
Years open	51.095	9028.264	0.006	0.996

Source: ERA AECOM

Scenario 3

In Scenario 3 the sample size was reduced to only those case studies for which all data were available excluding total and marketing budgets.

Results from this test have only a slightly lower P-value, 0.33, than Scenario 2. The results are again unreliable as the model is not explaining enough of the variance in the data to reject the null hypothesis.

Table 69: Scenario 3 Regression Statistics

Regression Statistics	
Multiple R	0.973
R Square	0.947
Adjusted R Square	0.261
Standard Error	726459.7246
Observations	10
Significance F (P-value)	0.330

Source: ERA AECOM

Table 70: Scenario 3 Regression Statistics for Independent Variables

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-3685644.018	1251673.002	-2.945	0.099
Gross SM	20.888	29.955	0.697	0.558
Exhibit SM	-299.600	126.255	-2.373	0.141
Resident Market	-0.116	0.069	-1.682	0.235
Tourist Market	0.128	0.075	1.710	0.229
Collection Exhibitions	0.000	0.000	65535.000	n/a
Internationally Scale	2468860.572	550590.343	4.484	0.046
Adult Admission (HK$)	328.593	11773.795	0.028	0.980
Years open	4261.728	6334.729	0.673	0.570

Source: ERA AECOM

In summary, we believe that without sufficient data and a much larger sample size of institutions, using regression analysis to estimate attendance for M+ is not a predictive and useful tool. Furthermore, in cases where we do have data, there are inconsistencies in the collection of and definition of the data points that lead to variability. Finally, there are numerous qualitative factors that cannot easily be measured in a quantitative manner that affect museum attendance. While we could assign variables to these qualitative factors, this process would somewhat simulate the analysis by which we determine penetration rates.

VIII. Projected Utilization for the Exhibition Centre

Methodology

ERA AECOM's typical methodology is to first achieve as much clarity on the project concept as possible. The more tightly defined the concept is, the more specific the focus of the research can be, and the more accurate the projections of utilization or attendance.

In the case of the EC, the concept is still very vague, and there is no one constituency trying to create it. ERA AECOM sensed a general hope that the EC could be a large exhibit hall dedicated almost entirely to the arts and culture that also was self-financing, not only in operations but also in its development. To our knowledge, there is no project in the world that is both dedicated to large arts exhibitions, and self-financing. As a result, our research needed to be broad, and looked not only at projects that are arts related, but also on major exhibition facilities which serve a wide range of event types and which generate significant revenue.

Tasks in our methodology included:

- Conduct international case studies on other arts related exhibition facilities (presented in Section VI.)
- Examine the competitive market in Hong Kong.
- Interview potential user groups in the key target arts and culture market.
- Interview industry professionals in Hong Kong.
- Formulate two facility configurations and their associated business models that meet one or more aspects of the mission and key functions for the EC.
- Compare and contrast the two facility models for their ability to achieve the mission and key functions.
- Estimate utilization to the extent possible at this stage in the project concept evolution.
- Recommend a course of action and a set of development parameters for subsequent design work.

Sources of Exhibition Centre Industry Demand

The exhibitions and meetings industry is highly diverse and ultimately, every event has its unique characteristics. The event types also vary widely in terms of the market areas that they draw from, expected economic impacts, and operating revenue generation capabilities. On the other hand, many of the events can be grouped into categories of relatively similar shows and events. The following overview describes the major categories of event types and their characteristics.

Arts Related Events

Art Auctions

Art Auctions are a major hub of commercial activity in the art world, accounting for approximately half of all art sales. The auction market is largely secondary, with a small but growing percentage of total sales arranged privately on behalf of an artist or collector. Sales are organized around art periods (e.g. postwar contemporary, Chinese antiquities) on generally a biannual basis. Auction houses receive a commission off top bidding prices and are responsible for all auction promotions from advertising to courting potential buyers. An auction, including a preview exhibition and the actual sale, will last from one to several days. The largest auction houses are Christie's and Sotheby's who have offices worldwide.

Art Fairs

Art Fairs have become an unparalleled art world enterprise, offering art buyers a one-stop shopping opportunity and concentrated exposure for art sellers. They last from one to several days in large exhibition hall venues where hundreds of dealers/galleries will hire booths to sell and collectors will gather from around the globe. Pre-fair set-up, which includes construction of individualized booths and the art handling, lasts one to three days, followed by a window for VIP preview access, and the general public opening. Generally, fairs have a rigorous jury process for selecting the roster of galleries who will be allowed to exhibit and VIP preview access for selected collectors after which the public can purchase admission tickets.

Other Arts and Cultural Events

This category includes design fairs which operate similarly to art fairs with a shifted focus on design objects (e.g. furniture, home products) and equivalent calendar demands. Other creative industry events, complementary uses (e.g. jewelry fairs and wine auctions), temporary exhibitions, performances and so forth may also utilize an exhibition centre. Many of these kinds of events/users will overlap with the kinds of MICE events listed below.

Meetings, Incentives, Conferences, and Exhibitions (MICE)

Other types of events held by arts groups, cultural institutions, and the creative industries will include design shows, trade shows, conferences, corporate announcements, and other events that fall within the broad category of MICE, i.e., meetings, incentive travel and events, conferences and exhibitions. Obviously, many other professions and industries also hold MICE events besides just arts and creative industries. Some of the major categories of MICE events are trade shows, conferences, conventions, association meetings and others as described below.

Trade Shows

These events are exhibit-oriented, and sponsored by the creative industries and many other industry groups and/or associations to bring buyers and sellers of products together in an efficient manner, to exchange ideas, stimulate creativity, view/compare products, and arrange purchases. Although many trade shows are not open to the public, some shows, called combination shows, allow public attendance for a portion of the event. Increasingly, trade shows require meeting/breakout rooms for concurrent training seminars and product demonstrations, which is why it can be hard to discern differences between a trade show and a convention. Typically, trade show events are sponsored in regions where there is a concentration of members or related activity.

Conferences and Conventions

These events are meetings attended by professional and association groups, with the purpose of exchanging ideas, networking, and discussing industry issues. These meetings can be for as few as 25 people, or as many as 25,000 people or more. Depending on the size and scope of a convention group, an event may be held at a hotel with function space, a conference center, or a larger free-standing convention center. Conferences typically require meeting/breakout rooms, as well as a larger general assembly or plenary space, and can have substantial food service requirements compared to other events. Increasingly, larger conferences, called conventions, also require exhibit space and an adjacent headquarters hotel. This has tended to blur the line between conventions and trade shows (and many conventions also have a trade show component).

Corporate Meetings

Corporate meetings are held by individual companies within the creative industries, as well as other industries, and are generally smaller events compared to conventions or trade shows. These types of functions tend to focus on training seminars, management meetings, and professional/ technical presentations for corporate groups who seek an off-site venue. More often than not, these meetings are held at a full-service downtown hotel, conference center, or resort, and require meeting rooms, rather than exhibit space, and tend to generate significant food and beverage service. Events of this nature typically last for a full day or more, and can attract out-of-town guests, many of whom will seek to stay at area hotels.

Characteristics of corporate meetings include the following:

- Average attendance of under 100 people,
- Average length of 2 to 3 days,
- Three-quarters of companies have used downtown hotels, half of companies have used resort hotels, just under half have used suburban hotels, and over a third have used convention centers for corporate meetings,
- The most common types of corporate meetings are training/educational seminars, sales/marketing meetings, and management meetings.

Association Meetings

In addition to an annual convention of everyone in a professional association, associations also tend to hold a variety of smaller meetings. Like corporate meetings, association meetings are also generally smaller events than conventions and trade shows. Associations will hold a varying number of meetings per year, but many hold one to four annually. An association meeting might involve a seminar for educational purposes or a briefing for a professional group. Similar to corporate meetings, association events are typically held in larger hotels or conference/convention centers over a day or two, and many attendees are out-of-town visitors.

Smaller association meetings may be characterized as:

- Average attendance of 100 to 200 people,
- The most common types of association meetings are board meetings, training/educational seminars, and professional/technical meetings,
- The majority of associations have used downtown hotels, half have used suburban hotels, some have used resort and airport hotels, and occasionally they use convention centers for association meetings.

Public/ Consumer Shows

These events are similar to trade shows in that they are exhibit-oriented, but are open to the public, draw from a local area, and generally charge admission fees. The range of consumer shows (including consumer electronics, home shows, sports-related, and clothing/fashion), typically draw from within a metropolitan area, and therefore generate less of an economic impact, in terms of hotel, restaurant, or retail activity, compared to conference and convention events, which generally attract non-local residents who more frequently stay in hotels and eat at local restaurants. However, consumer shows can generate greater revenues for a host facility, because they are commercial events and the promoter will pay to rent the exhibition space. The creative industries may find that some of their exhibitions are suitable for the general public and could use the EC for consumer/public shows.

Banquets and Assemblies

These can be local, regional, or national in nature, and include reunions, fraternal meetings, religious conferences, and similar social functions. The size of these events can vary considerably, requiring anything from suburban hotel function space to larger convention center or arena facilities. Although these groups use a broad range of facilities for their events, they can also be more price sensitive, and tend to generate significantly fewer hotel room nights, compared to a professional association meeting.

A comparison and overview of different event types is presented in the table below.

Table 71: Types of Events in the Exhibitions and Meetings Industry

Event Type	Length of Event (Event-Days)	Common Attendance Range	Primary Purpose	Major Facility Requirements	Typical Facility Preference
Art Auctions/Fairs	4 - 8	300 - 60,000	Commercial Sale of Art	Exhibition Space, with Minor Meeting Room Need	Hotel Ballrooms, Convention Centers, Exhibition Halls
Art Exhibitions	14 - 60	500 to 300,000	Display of Art	Exhibition Space	Exhibition Halls
Convention with Exhibits	4 - 6	500 to 30,000	Information Exchange and Sales	Exhibition, Breakout/Meeting and Banquet Space	Convention Centers
Conferences - no Exhibits	4 - 5	300 - 5,000	Information Exchange	Meeting and Banquet Space	Hotels, Conference Centers, Convention Centers
Tradeshows	5 - 7	1,000 - 50,000	Sales	Exhibition and Meeting Space	Convention Centers, Fairgrounds, Trademarts
Consumer Shows	2 - 3	3,000 - 50,000	Advertising and Sales	Exhibition Space	Convention Centers, Fairgrounds, Trademarts
Corporate and Other Meetings	1 - 2	150 or less	Training / Information Exchange	Meeting Space	Hotels, Conference Centers, Convention Center, Meeting Rooms
Banquets	1	100 - 2,500	Social, Networking, Recognition	Ballroom or Banquet Spaces	Hotels, Conference Centers, Convention Center, Ballrooms
Sporting Events	1	25 - 80,000	Competition, Training, Tournament	High Ceilings, HVAC or Lighting Specifics, Unobstructed Play Space	Stadiums, Arenas, Auditoriums, Exhibition Halls
Concerts and Entertainment	1	500 - 10,000	Entertainment	Stage, Seating, Lighting, Concessions, Ticket Booths, Lobby	Arenas, Stadiums, Theatres, Auditoriums, Convention Centers
Assemblies	1	1,000 - 5,000	Information Exchange	Stage, Seating, Breakout and Meeting Rooms	Convention Centers, Arenas, Stadiums, Fairgrounds

Source: HVS International, ERA|AECOM.

Major Hong Kong Exhibition Facilities

As one of the regional commercial centres in Asia, Hong Kong has been a popular destination for exhibitions, hosting over 100 major exhibitions each year. Currently, Hong Kong offers a variety of exhibition facilities including the two major purposely-built exhibition venues, Hong Kong Convention and Exhibition Center (HKCEC) in Wanchai and AsiaWorld-Expo (AWE) near the Check Lap Kok Airport, as well as several smaller exhibition centers such as the Hong Kong International Trade and Exhibition Center (HITEC) and Hong Kong Exhibition Center (HKEC). Many hotels, academic institutions and public facilities also provide smaller exhibition spaces and auditoriums. Below are brief descriptions of some of the key exhibition facilities in the current competitive market in addition to HKCEC. A summary of selected major exhibition facilities can be found in the table below.

Hong Kong Convention and Exhibition Centre

Development History

The Hong Kong Convention and Exhibition Centre (HKCEC) opened in November 1988 in order to establish Hong Kong as a premier international venue for exhibitions and conventions. It is located at a prime waterfront site on Victoria Harbor near the Wanchai business district. The Hong Kong Trade Development Council (HKTDC), a government-backed group created to encourage local economic development, first attracted a developer to build and operate the convention and exhibition centre by offering the site and the rights to develop a mix of revenue-producing uses. The facility as completed in 1988 consisted of convention and exhibition space, a shopping plaza, two hotels, an apartment tower, and an office tower. The first expansion completed in 1997 was built on newly created landfill and more than doubled the facility’s function space. A second expansion completed in April 2009 has again increased total rentable space by a third.

The cost of the HKCEC when it first opened in 1988 was approximately HK$1.6 billion, not including land cost. The first expansion completed in 1997 cost HK$4.8 billion, including site reclamation which began in June 1994; and the second expansion completed in 2009 cost HK$1.4 billion. The architect of the Centre’s initial structure was Ng Chun Man & Associates Architects & Engineers. The first and second expansions were designed by Skidmore, Owings & Merrill's Chicago Office.

Policy Statements

The HKCEC has the following mission statement:

“Our Vision: To be the best exhibition and convention centre in Asia internationally renowned for excellence and hosting the world's greatest events.

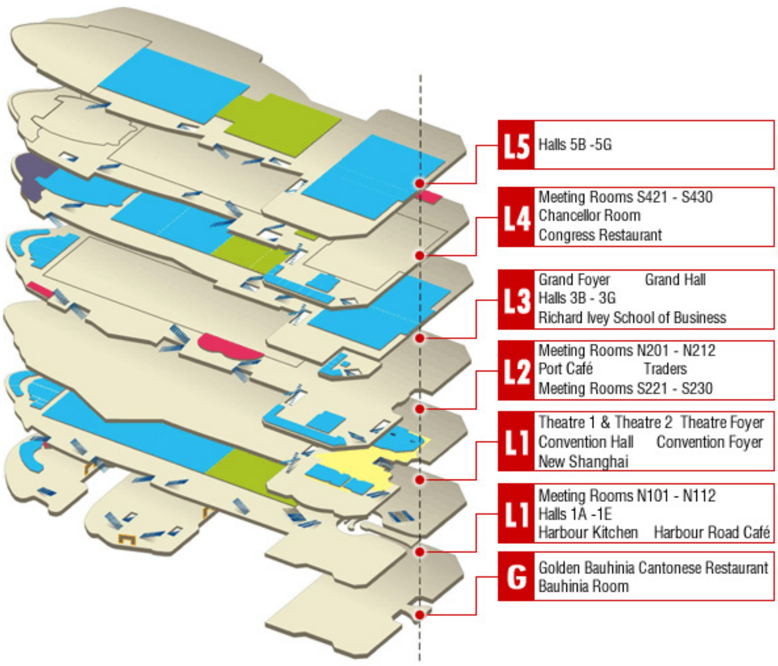
Our Mission: To enable HKCEC's customers to consistently experience value and levels of service beyond their expectations through individual and team commitment to quality using innovative and creative operating techniques.”

Facility Overview

The HKCEC offers 91,500 square meters of rentable space on multiple levels for exhibitions, conferences, meetings, corporate functions, and entertainment events. Approximately 66,000 square meters of the space is dedicated to exhibitions. The architecturally dramatic Centre is located on 101,168 square meters of land on Victoria Harbor, creating one of Hong Kong's most recognizable waterfront features. Public circulation spaces and the concourse connecting the facilities are enclosed by 40-meter tall glass facades, offering spectacular views of Hong Kong's Central district, the Harbor, Kowloon, and the peaks of the New Territories. With little available land, the second expansion was suspended above the harbor.

The original portion of the project consists of exhibition and convention space and shopping at the podium level topped by office, hotel, and residential towers. It also includes the 862-room Renaissance Harbour View Hotel, the 573-room Grand Hyatt Hong Kong, a 39-story office tower, a 630-unit serviced apartment tower, a shopping arcade, three restaurants, and a 1,065-space underground parking garage.

The entire HKCEC includes six exhibition halls, two convention halls, two theatres, 52 meeting rooms, seven restaurants, two food and beverage function rooms, and two underground carparks. Below is a summary of the HKCEC:



- Six exhibition halls: 66,000 SM
- Two convention halls: 5,699 SM
- Two theatres (1,000 seats): 800 SM
- 52 meeting rooms: 6,004 SM
- 7 restaurants: 1,070 seats
- Two food and beverage function rooms: 768 seats
- 2 carparks: over 1,000 spaces

Special features at the HKCEC include:

- Grand Hall (3,880 SM) for conventions, meetings, major banquets, exhibitions, and entertainment with full simultaneous interpretation, video and projection facilities, and permanent stage.
- Grand Foyer (2,094 SM) at the entrance of the Grand Hall provides panoramic views of the Harbor.
- Aluminum clad roof, sculpted to resemble a seabird taking flight.
- Rooftop amenities including 2 swimming pools, a garden, running track, tennis courts, driving range, and health club which all serve the adjacent hotels and apartment tower.

Market Orientation

The HKCEC serves the Southeast Asian meetings and exhibitions market, competing principally with Singapore for large-scale exhibitions and conventions in the region. The Centre continues to market itself as the gateway to China, serving as the link between the mainland and the international business and professional community. The Centre hosts numerous large conventions, exhibitions, and trade shows serving the region each year, although the majority of its activity consists of local Hong Kong corporate events and meetings.

Attendance and Utilization

During 2008-9, the Centre hosted 1,067 events including 111 exhibitions (81 of them major recurrent events), 36 international conventions, 59 entertainment events, and the remainder of over 870 corporate and incentive functions, meetings, press conferences, seminars, banquets, and others. Major exhibitions during the past two years included the Hong Kong Jewelry and Gem Fair, Asian Funeral Expo, ART HK, HOFEX- the 13th Asian International Exhibition of Food & Drink, HKTDC Hong Kong Gifts and Premium Fair 2009, HKTDC Hong Kong Electronics Fair 2009, Hong Kong Mode Lingerie 2009, Fashion Access 2009.

Site and Relationship to Surrounding Uses

The HKCEC boasts a prominent location in Hong Kong's Wanchai district, a centrally located urban district within blocks of the city's main downtown corporate addresses. The Centre is well connected to the surrounding city by subway (five minute walk to the Wanchai MTR station, part of Hong Kong's extensive and efficient passenger rail network) and served by frequent commuter ferry service (every five to ten minutes) to Kowloon on the mainland side of Victoria Harbor. Newly completed train lines connect the nearby subway network with the Hong Kong airport, 30 to 40 minutes away.

Visitors to the HKCEC have very convenient access to the fantastic assortment of shopping, entertainment, and dining opportunities in Hong Kong. Convention Plaza, housed directly alongside the HKCEC, includes a mix of uses such as shopping, hotels, and restaurants. Within a few blocks of the Centre, the bustling Wanchai district encompasses a vast array of hotels, shopping centers, restaurants, and assorted entertainment options. At least seven major international hotels are located within a few minutes' walk. The district is located between Hong Kong's financial center and its highest profile shopping area, Causeway Bay. Both are within a few minutes walking distance of the HKCEC.

Financial Performance

The HKCEC is owned by the Hong Kong Trade Development Council and the Government of the Hong Kong Special Administrative District. The Trade Development Council is responsible for management of both expansions, and has contracted with HKCEC (Management) Ltd (HML) for day-to-day management, operations, and marketing of the entire Centre. HML is a subsidiary of New World Development. The Trade Development Council organizes many of the Centre's largest trade show events.

The HKCEC's revenues come principally from three sources: 1) exhibitions, conventions, and trade shows; 2) corporate events; and 3) restaurants. The majority of income comes from the first category of events.

AsiaWorld-Expo (AWE)

Opened in December 2005, AsiaWorld- Expo (AWE) is the second major convention and exhibition facility in Hong Kong besides HKCEC, introducing an additional 70,000 square meters of exhibition space to the overall market supply. AWE is fully integrated with the Hong Kong International Airport and is the only column-free and ground-level exhibition venue in Asia. The facility offers 10 exhibition and event halls including the 13,500-seat purpose-built indoor AsiaWorld-Arena and AsiaWorld-Summit which is a multipurpose conference and banquet hall with a capacity of 5,000, a range of meeting and conference rooms of various sizes, as well as on-venue food and beverage outlets.

Since its opening in 2005, AWE has hosted a variety of exhibitions, conventions, concerts and entertainment events, including the China Sourcing Fairs, a series of annual trade shows hosted by Global Sources and the ITU Telecom World, a major telecom industry event which attracted nearly 62,000 international delegates according to figures from the Hong Kong Government. A total of 183 events was hosted at AWE by the end of 2009. This translates to an estimated 40 to 50 percent utilization for the full year. The average length of events ranges from 1 to 5 days.

In terms of arts utilization, AWE does not cater specifically to arts uses and had only one arts-related event (the Asia International Arts & Antiques Fair) in 2009. The venue currently does not offer any special discounts for arts groups.

Based on our interviews with industry experts, the location of AWE is generally regarded as not very convenient except for international exhibitors and attendees. Due to its distance from the mass public, AWE is therefore considered to be more suitable for 'non-daily life" related or special events such as trade and car shows as well as concerts.

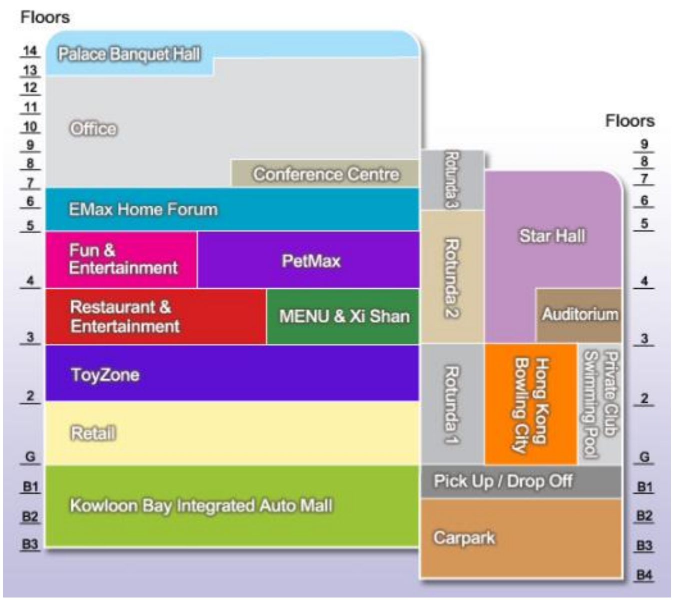
AWE is a public-private joint venture

involving funding from the Hong Kong SAR Government and a private sector consortium including Dragages Hong Kong Limited and Industrial and Commercial Bank of China (Asia) Limited, with the Airport Authority Hong Kong contributing the land. The facility is currently operated by AsiaWorld-Expo Management Limited. Total construction cost for the project is HK$2.35 billion.

Hong Kong International Trade and Exhibition Centre (HITEC)

HITEC, developed and owned by Hopewell Holdings, is a commercial complex that offers exhibition space, retail/restaurants, a performance venue and office space. The building, with a total gross floor area of approximately 163,500 square meters, was completed in 1995. Of the total area, there is about 24,200 square meters of multi-functional space which can be used for exhibitions, banquets, performances and other business functions space including three rotundas, a 702-seat auditorium, a conference centre with 17 meeting rooms and the column-free performance venue Star Hall which can accommodate an audience of 3,600 people. In addition, HITEC offers 83,600 square meters of retail, dining and entertainment space at the EMax shopping mall, as well as 55,700 square meters of office space.

HITEC is located in Kowloon Bay, which is traditionally an industrial area. As a result, there is a lack of other supporting land uses such as hotels (which are essential to the exhibition industry) in the immediate area surrounding the facility. In addition, HITEC is not very accessible considering that there is no MTR station within walking distance. However, there is a free shuttle bus that connects the closest MTR station to HITEC with an estimated 10-minute drive.



Given the above drawbacks, HITEC does not get a lot of exhibition business and is mainly utilized for concerts, special events and smaller exhibitions. One of our interviews with an exhibition organizer also indicated that the standard of the facilities and its exhibition space pose limitations for larger-scale exhibition. It is estimated that their annual utilization rate is in the range of 30 to 40 percent. Very few events hosted at HITEC are arts related and the facility does not provide any rental discount for arts groups.

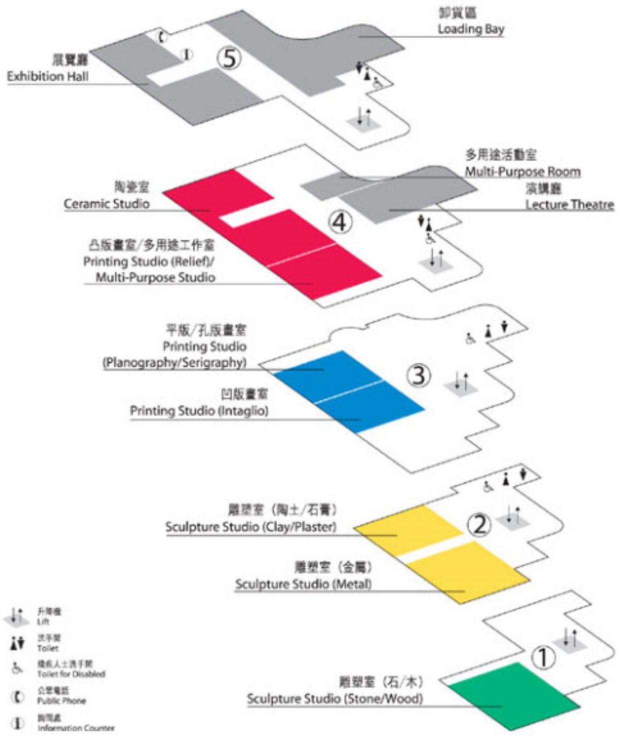
Hong Kong Arts Centre (HKAC)

The Hong Kong Arts Centre opened in 1977 as the first arts institution not operated by the local government. The facility was built by publicly donated funds on land gifted by the government. As a private and independent institution, the facility is self-financed with tenant rental income, venue rental income, ticket sales, and contributed income (which accounts for approximately 10 percent of total income). The Centre was designed as a creative hub focused on contemporary visual art, design, performance, and media.

The total facility includes 19 floors housing a cinema, theaters, exhibition space, an art school, various office/retail space and a café. The primary exhibition space, the Pao Galleries, is split across two floors with approximately 300 square meters per floor. Half of the year this space is used in house for internal programming, and the remainder of the year it is leased out. Renters of this space are usually galleries who can afford the fees. Other outside programming with less ability to pay is at times subsidized by the Centre. Typical rentals last from 3 to 4 weeks and are largely domestic (85 percent). The weekly rate for the combined space is HK$62,500 and 50 percent higher if the exhibition involves the sale of exhibits.

The Centre's annual operating budget is HK$16 million of which approximately $1.5 million is available for marketing.

Hong Kong Visual Arts Centre



The Hong Kong Visual Arts Centre (HKVAC), run by the Art Promotion Office with the objective to promote visual arts and encourage artistic creation, is located near Hong Kong Central Park. The facility, which was partially adapted from Victorian barracks dating to the 1840s, includes a new addition built at the Centre's opening in 2000. Primarily the facility provides studios for sculpture, printmaking, and ceramics (9 in total).

The HKVAC includes a small, 218-square-meter exhibition hall available for hire aside for one in-house exhibition organized annually. Booking is available as far as 24 months in advance for special events (e.g. overseas artist exhibition) and also at the last minute based on availability. Bookings are managed by the Arts Promotion Office, who meets to discuss priority of applications for exhibitions and to schedule a varied calendar.

The rental rate is HK$400 per day for non-commercial uses, and double for commercial. Utilization of the exhibition hall is very high, ranging from 96-98 percent. Other amenities for hire include a lecture theater, multi-purpose studio, and multi-purpose room.

Other Exhibition Space

The Hong Kong Exhibition Centre (HKEC), established in 1984, is the first exhibition centre in Hong Kong. Located on the third and fourth floor of the China Resources Building in Wanchai, HKEC is comprised of an exhibition hall with a gross area of 2,100 square meters and an exhibition gallery of 450 square meters. HKEC is managed by China Resources Advertising and Exhibition Company.

The size of HKEC is small compared to the major exhibition facilities in the existing market and the facility is considered quite poorly managed. According to our interviews with industry experts, due to its affiliation with the state-owned company, China Resources, HKEC has largely become a venue for China-related events, such as display of China products, product launches and investment fairs in the recent years. The image of the venue leans on the lower end, which will make it hard for HKEC to attract major exhibition organizers or events eventually.

In addition to the aforementioned exhibition facilities, there are also additional exhibition and convention spaces at Cyberport, Pacific Place, various hotels, universities, stadiums, cultural facilities, as well as city/town halls. However, these spaces are generally small and insufficient to host larger events.

Table 72: Major Exhibition Facilities in Hong Kong

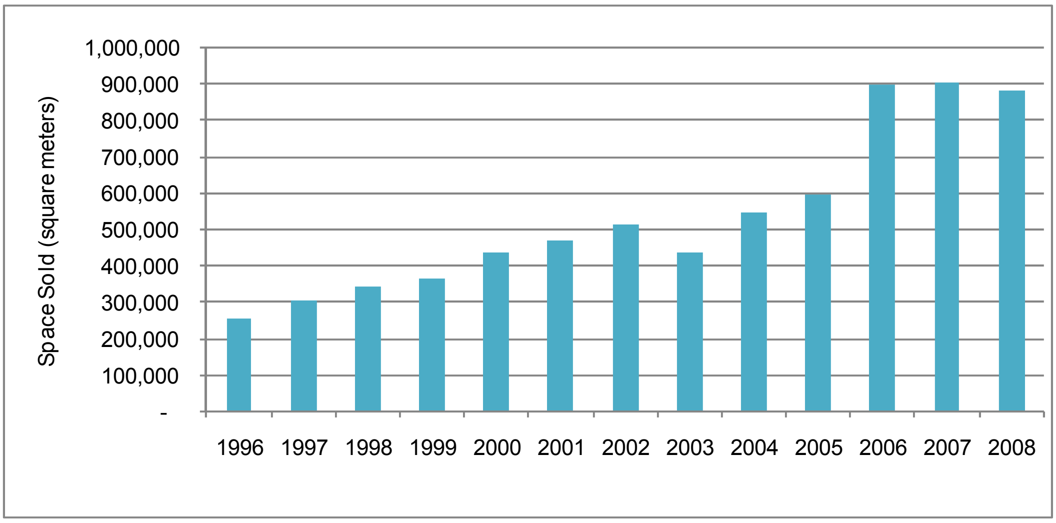
	Hong Kong Convention and Exhibition Centre	AsiaWorld-Expo	Hong Kong International Trade and Exhibition Centre (HITEC)
Location	Wanchai, Hong Kong Island, Hong Kong	Hong Kong International Airport, Lantau, Hong Kong	Kowloon Bay, Kowloon, Hong Kong
Opening Year	1988, additions in 1997, 2009	2005 (December)	1995
Investment	HK$ 7.8 billion	HK$2.35 billion	Confidential
Facility Owner and Operator	Hong Kong Government	A public private partnership involving funding from the Hong Kong SAR Government and a private sector consortium including Dragages Hong Kong Limited and Industrial and Commercial Bank of China (Asia) Limited, with the Airport Authority Hong Kong contributing the land	Hopewell Holdings
Brief Description	Serves the Southeast Asian meetings and exhibitions market, marketing itself as the gateway to China	One of the two major convention and exhibition facilities, integrated with the Hong Kong International Airport	A commercial complex integrating exhibition centre, shopping mall and performance venue
Sizing			
Total Area	Gross area 306,000 square meters; Total rentable space 91,500 square meters	Total rentable space of over 70,000 square meters	Approx. 163,500 square meters for the entire building including exhibition, retail, office and F&B space
Total Exhibition Area	Total exhibition area of 66,000 square meters	Entire 70,000 square meters available for exhibitions, conventions, concerts, entertainment, sports and special events, including 66,420 square meters of exhibition hall space	Approx 24,200 square meters including banquet area
Largest Single Usable Space	18,000 square meters	10,880 square meters for Hall 1, but other halls can be combined to provide a continuous space of over 22,000 square meters	2,912 square meters
Key Facility Components	Includes 6 exhibition halls, two convention halls, two large foyers, two theaters, 52 meeting rooms, and seven restaurants	-10 ground-level and column-free exhibition and events halls including the 13,500 seat AsiaWorld-Arena the biggest purpose-built indoor seated entertainment arena in Hong Kong as well as the AsiaWorld-Summit, Hong Kong's newest and largest indoor conference and banquet venue that seats 700 to 5,000 persons -Meeting and Hospitality Centre with a range of meeting and conference rooms of different sizes -F&B including a seaview restaurant, a full-service bar, several cafes, coffee shops and fast-food outlets	-Multi-functional venues, including 3 Rotunda and Star Hall for exhibitions, concerts, banquets and business functions -An auditorium with 702 tiered seats -A conference centre with 17 meeting rooms -83,600 square meters (900,000 square feet) of retail, dining and entertainment (EMAX) -55,700 square meters (600,000 square feet) of office space
Utilization			
User Profile Description	Trade shows, conventions, corporate meetings	Exhibitions, conventions, concerts, sports and special events	Mainly concerts, conference, exhibitions and banquets
Rent Schedule	n/a	Varies by event based on multiple commercial parameters as stated in the venue's booking policy including but not limited to tenancy size, tenancy duration, frequency of tenancy, revenue potential, exhibitor recruitment capability (for exhibition), buyer promotion capability (for exhibition), track record of organiser and event, as well as potential for additional business	-Ranging from HK$35.00 to HK$52.50 per sq. m. per day and full day rent ranging from HK$2000 to HK$130,000 for exhibitions -4-hour session rental from HK$1,100 to HK$75,600 and full day rental from HK$1,570 to HK$108,000 for conventions/meetings/special events
Discounted Rent for Art Groups	None	No particular special discount for art groups; discounts based on booking policy mentioned above	No particular special discount for art groups
Annual Occupancy	1,067 events in 2008-9	Estimated 40%-50% in 2009 (including concerts)	Approximately 30%-40%
Average Length of Rental	n/a	1-5 days	3-4 days in average for exhibitions, 1-2 days for conferences
Estimated % Arts Utilization	Art auctions/fairs-4-6 weeks per year	1 event in 2009 (excluding jewelry fair and concerts)	Very little events are arts related
Total Delegate Attendance	Around 1.5 to 2 million	Do not track	Average 1500-3000 pax for each type of event; Normally approximately 7,500-10,000 for full house
Financial Performance			
Sources of Revenue	Exhibitions, trade shows, and conventions; corporate events, restaurants	Mainly from venue rental	Rental fee and equipment rental for Exhibition business, supplemented by rental income from retail space
Total Staff	850	Between 100 and 200 staff including 4-5 marketing staff; excludes staff from service partners that provides cleaning, security, and others services	Approx. 160 staff (inclusive of office and operation staff) including 10 marketing staff
Arts Group Marketing	None	Do not market directly to arts groups but more to MICE organisers, entertainment / concerts promoters and special events organisers	None

Source: Individual Institutions, ERA AECOM

Indicators of Industry Trends in Hong Kong

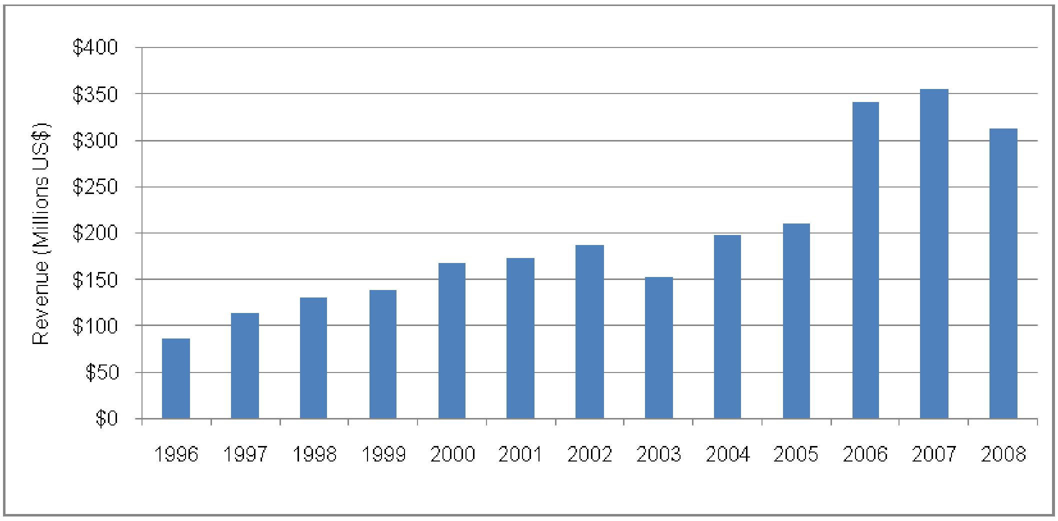
ERA AECOM also reviewed a recent study which examined the exhibition market in Hong Kong. A few key indicators industry trends include the amount of exhibition space sold over the past 12 years in the Hong Kong market and the revenue generated by this activity. These trends are shown below in **Figure 36** and **Figure 37**.

Figure 36: Exhibition Space Sold in Hong Kong Market, 1996-2008



Source: The Chinese University of Hong Kong, BMT Asian Pacific Hong Kong Trade Exhibition—An Industry Review, October 2009

Figure 37: Total Revenue from Exhibition Space Sold in Hong Kong Market, 1996-2008



Source: Source: The Chinese University of Hong Kong, BMT Asian Pacific Hong Kong Trade Exhibition - An Industry Review, October 2009

Major points from this research include:

- There has been dramatic growth in the industry over time. The largest single change in exhibit space sold occurred as a result of the opening of the AWE.
- The surge in space sold as a result of the AWE opening indicates that there is pent-up demand in the market such that additional supply was able to create increased usage.

- The exhibitions industry worldwide is notoriously seasonal. In Hong Kong, peak meetings activity occurs in the spring and the fall. While the facilities in Hong Kong may be underutilized in the summer months, it may still be at capacity during peak months. Thus, in the exhibitions industry, it is normal to have some level of "vacancy" due to preferential times and seasonality.

Key Findings from the Stakeholder Interviews

ERA AECOM staff from the Hong Hong, San Francisco and Los Angeles offices interviewed a wide variety of stakeholders regarding the EC. Many of these interviews were conducted in person in Hong Kong, although in order to accommodate stakeholder schedules, some interviews were conducted by telephone. Interviews were confidential and responses are not linked to individuals, but the types of stakeholders included: Hong Kong government officials, management of major exhibition facilities, organizers of art fairs and art auctions, industry representatives, and other exhibition-related interests. Key findings, statements and observations gained from one or more of the stakeholders include the following:

- Within the Hong Kong community, very little thought has been given to what the EC component of the WKCD should be. Most of the focus has been on the M+ and the performance venues. The EC has been an "afterthought" for the most part.
- A single-purpose exhibition hall dedicated to the arts will never be able to support itself.
- A mixed-use facility which includes the same exhibition capabilities, but also has meeting rooms, ballroom/banquet rooms, and other usable/rentable spaces will have a much greater chance of being financially supportable than an exhibition-only facility.
- The arts community proponents of the M+ wanted the EC to have high-quality programming so that it would reflect well on the whole district, but they did not want it associated with the M+ because the EC would be a profit-making entity and the M+ would not.
- The EC should be located a noticeable distance away from the M+.
- Because Hong Kong grows so rapidly, and there is such demand for real estate, planning for the EC should be the largest size reasonable in order to reserve the land area for future expansion, perhaps over multiple phases.
- Art fairs and art auctions have demonstrated real success and growth in recent years in Hong Kong. For most of them 10,000 square meters is too much space. For a couple of the largest events, 10,000 square meters is not enough. They are planning to grow to 15,000 square meters.
- Several possible users of the EC were very much in favor of a new facility in West Kowloon, but it was not always clear if it was because they would use it themselves, or because they knew more choices would put downward pressure on the rental rates they have to pay.
- Affluent buyers of art often say they want to be on Hong Kong Island, if not in Central only, and for some of these the Kowloon side is perceived as less desirable.
- Some art dealers report that they like the shopping opportunities of TST and would prefer to stay on the Kowloon side.
- For most art events, meeting rooms are not particularly important, but they do still need a small number, around 10 was a common request. The meeting rooms in the HKCEC were inconvenient because the facility is so large that the meeting rooms are a "15-minute walk" away from the exhibit halls.
- Convenient access (including MTR) was mentioned by virtually every stakeholder as essential.
- Security is a big issue for art-related events.
- Loading docks are a big issue for all exhibition users, because efficient loading makes for shorter move-in and move-out, and thus saves money.

- Ferry service between Central and West Kowloon would be very desirable.
- Trade show type exhibitions are already well taken care of in Hong Kong by the HKCEC and the AWE. Conferences and conventions are not as well accommodated by existing facilities, and if the EC is built to be a multi-purpose facility with meeting and banquet rooms as well, it could fill a missing niche in the Hong Kong meetings market, especially for the wider variety of MICE events.
- MICE events are more cost conscious than pure trade shows. They want cheaper rental rates for the meeting and exhibition spaces, but they also fill hotel rooms and bring customers to restaurants and shops in the area.
- Spring and autumn are the two high seasons for all types of meeting business in Hong Kong.
- Macau is emerging as a popular destination for MICE conferences and conventions, and is becoming more competitive for these with Hong Kong.
- West Kowloon is a good location for MICE conferences and conventions because there are already many hotels on the Kowloon side (TST and Jordan), and it is a mature area with lots of shopping and restaurants.
- When there are big auctions and fairs at the HKCEC, there is also a need for satellite smaller events at the same time in Hong Kong. Some of these could take place at the EC.
- As new hotels develop in West Kowloon, some larger conference and convention type MICE events could utilize the EC in combination with meeting spaces in the hotels.
- Even though the HKCEC is much bigger than what is envisioned for the EC, the HKCEC is designed to be multi-purpose and sub-dividable, so that smaller groups can meet in the HKCEC as well as the very large groups. This means that even though the EC is much smaller, it will still compete for some of the business that the HKCEC might otherwise have attracted.
- Most of the major art fairs and auctions in Hong Kong currently utilize the HKCEC and benefit from the location on Hong Kong Island and the opportunity to grow within the space in the long term.
- High profile international congresses and conventions would likely find a new multi-purpose EC in WKCD to be an attractive location, but Hong Kong will have to bid for these types of prestigious events, and although they may bring great economic value to Hong Kong as a whole, they will require subsidy to attract.
- Hong Kong has excellent facilities for trade shows of all size, including very large ones (HKCEC and AWE), but once a group is larger than what will fit in the hotels, there is a gap in the facility offering in Hong Kong. The biggest need is for a facility that can handle events of 500 to 2,000 people.
- The biggest need is for a multi-purpose facility that includes a very high-quality plenary hall, plus a 5,000- to 10,000-sq-meter exhibition space, plus banquet facilities, plus 50 to 100 dedicated meeting rooms.
- Whatever is done in WKCD should be “world class.” Building anything that is “cheap” would be a misuse of scarce land in an excellent location.
- Hong Kong continues to get inquiries for congresses, conferences and other MICE events that cannot be accommodated, and these groups are going to Macau, Singapore, Bangkok, and Shanghai instead.
- More national and regional conferences and conventions will be available to Hong Kong as the transportation infrastructure improves further (e.g., Macau-Zhuhai-Hong Kong bridge).
- Professional associations (e.g., medical and high-technology industries) that have conferences in WKCD will want to experience the performing arts of Hong Kong. The conventioneers will become patrons of the arts in the cultural district.

Three Alternative Models for the EC

In order to estimate utilization and make recommendations for the physical planning for an Exhibition Center in WKCD, ERA AECOM with input from client staff formulated three alternative models for the EC. The fundamental assumption is that any alternative for the EC should contain an Exhibition Hall of at least 10,000 square meters of Net Operating Floor Area (NOFA). Other than basic entrance lobby, restrooms, and similar back-of-house features, the first alternative model is to create an "Exhibition with Arts Focus" facility. The assumption is that major art, culture and creative industries related events would receive the highest priority for use of this facility. ERA AECOM's research was unable to find an example of this type of exhibition-only facility that also operates profitably. Thus, we also formulated an alternative that has the ability to handle a wider range of event types, which would also give it more opportunities to generate revenue.

The second alternative model is a "Multi-Purpose Facility with Exhibitions." In order to house a wider range of event types, this facility would need to be larger, both in terms of usable space for event promoters (i.e., NOFA) and also in back-of-house facilities.

The third model is a "Multi-Purpose Facility of Minimal Size." This is seen as a cost-cutting alternative to the second model, and perhaps one that could serve as an initial phase of development, with later expansion to follow.

The major functional spaces in the three alternatives may be described as follows:

Model 1 -- Exhibition with Arts Focus

- Gross building area in the range of 15,000 to 20,000 square meters, depending on design
- 10,000-square-meter exhibition hall.
- Lobby and pre-function area.
- A few small meeting rooms to support the event promoter and producer.
- Administrative offices.

Likely users of such a facility would include smaller art auctions and fairs, traveling art exhibitions, occasional cultural performances and events that are suitable for a flat floor venue.

The business model for such a facility would likely require ongoing operating subsidy in order to maintain its arts focus. The building could be operated by an independent non-profit entity. It could also be operated in conjunction with the M+.

Model 2 -- Multi-Purpose Facility with Exhibitions

- 10,000-square-meter exhibition hall.
- Dedicated meeting rooms. Total space for meeting rooms should be in the range of 5,000 to 8,000 square meters.
- At least one large ballroom with a higher ceiling than the meeting rooms. This space needs to be clear span and should be 4,000 to 5,000 square meters. The inclusion of a separate and special purpose ballroom is that it allows major plenary functions to occur in a portion of the exhibition hall, followed immediately by a banquet function in the ballroom. It creates the ability to "meet and feed" all the delegates at an event.
- Lobby and pre-function area.

- Administrative offices.
- Total building area could be 34,000 square meters or more including all back-of-house functions as well as the functional areas.

To help us refine this basic concept, we interviewed the two major art fairs and two major art auctions in Hong Kong regarding their current and future space needs, as well as their likelihood of moving from the HKCEC across the harbor to West Kowloon. We also talked to industry experts about other smaller art auctions and fairs from other Asian countries. There are a few important points from our research that are relevant here:

- The largest event, the HK Art Fair, occupied 11,000 SM last year and is hoping to grow to 15,000 SM in the near future.
- Other major auctions and arts events in HK use less than 10,000 SM of exhibition area currently, but do have expectations to grow in the future. However, it is important to note that expectations to grow do not always translate into actual growth. We routinely interview user groups and event promoters and have learned to discount their aspirations.
- In the event and attractions business, it is seldom wise to base the size of the facility to be built on the needs of one largest group. This is particularly true when events have an existing home that works well for them and there is uncertainty about whether or not they would move. In the case of the four major event promoters who we interviewed, all of them expressed potential interest in West Kowloon, but also had concerns about moving away from Hong Kong Island and the impact this would have on their participants and attendees. All of them expressed the need for direct ferry service and other transportation improvements that would allow wealthy art collectors staying in high-end hotels on Hong Kong Island to easily access West Kowloon. Moving to West Kowloon would be a major decision for them and is not a guaranteed result.

Having said this, in order to design a facility that is sufficiently flexible to accommodate the aspirations of these four major events but could also be viable for other regional art auctions and smaller multi-purpose events, here is what we recommend:

This facility could be stacked into multiple levels, defined by the following:

- A single level of dedicated exhibition area of 10,000 SM (usable area). Exhibition area refers to concrete floor, high ceiling space with columns adequately spaced (see our report for exact dimensions).
- A second level of similarly sized 10,000 SM usable space, composed of “swing” space, that can be either opened up into all exhibit area, or can be subdivided into meeting rooms, or a combination of meeting and ballrooms. Unlike the exhibit space on the other level, the swing space might be carpeted throughout, but would still have the same high ceilings. When used as meeting rooms, after creating corridors between the rooms, you are likely to have 6,000 SM of usable area leftover. In some configurations, that level could create a 4,000- to 5,000-SM ballroom. However, this area can be used to accommodate the larger groups (i.e. the HK Art Fair at 15,000 SM at exhibition space plus a few meeting rooms) in conjunction with the first-floor exhibition space, but is flexible enough to be used for other purposes.
- We still recommend a third level dedicated to a major ballroom with no columns whatsoever, typically on the top level, that should be as big as 5,000 SM to be in balance with the rest of the facility. Perhaps this could be a last phase of development, but we do recommend it be included in the building program based on international standards and the way your business is likely to evolve in the relatively near future. The ballroom can be subdivided into smaller areas to provide additional meeting rooms and can also house light exhibits and art exhibitions.
- Typically, the gross building area should be 2.0 times the size of the net usable spaces, and includes items such as entrance lobby, internal corridors and circulation, back-of-house corridors and circulation (for loading/unloading and servicing the building), elevator shafts and vertical transportation, escalators/stairwells, administrative offices, restrooms, and storage.

- If through clever design, you are able to achieve a gross "up" factor of only 1.7 times, and if you only build 2 levels of structure totaling 20,000 SM of usable space (and save the ballroom for a later phase), then you should be budgeting for 34,000 SM of gross building area. We must emphasize that it is unrealistic to have a gross up factor (from usable space) of less than 1.7, and doing so may result in increased operating costs over the long run.

So in summary, our final recommendation for Model 2 is for a 34,000-SM building gross (at a minimum and assuming efficient design). With a combination of dedicated exhibit and swing space, you can accommodate the largest arts events, should they decide to move to West Kowloon, and a wide variety of other arts and multi-purpose events. We also recommend a future phase of 4,000 SM for a ballroom. This could be built in the first phase, but we understand that you have some planning constraints. However, it is important for us to recommend the ballroom given our knowledge and understanding of the industry.

Likely users could include some of the same arts-related events as described for the Exhibition with Arts Focus facility in that they would fit within the same 10,000-square-meter space. Traveling art exhibitions, however, would probably not go into a multi-purpose facility because these installations tend to be in place for relatively long periods of time, many weeks or even several months. The multi-purpose facility would focus on events that occur in shorter time periods, and in addition to the arts focus, could include conferences, assemblies, banquets, and a wide range of other MICE events.

The business model for a multi-purpose facility could focus more on revenue production, and would have a greater chance than a single-purpose exhibit facility of breaking even or making a profit on operations. A private entity may be attracted to operating the multi-purpose facility, especially if the opportunity could be coupled with some of the adjacent lands which could then be developed as hotels, restaurants, entertainment, and other uses that will work synergistically with the multi-purpose EC concept.

Model 3 -- Multi-Purpose Facility of Minimal Size

- 10,000-square-meter exhibition hall (the same basic building block).
- 4,000 square meters of dedicated meeting space.

A third model has been formulated that would be of minimal size yet still have potential to be feasible. First of all, anything can be forced to be "feasible" if you are willing to subsidize it enough. The unfortunate realization many communities have come to regarding public assembly facilities is that if they cut costs in development by under-sizing support spaces, they more than pay for it later in increased operating costs. For example, if the food can be prepared for a banquet in a kitchen next to the banquet hall, it stays hot and fresh. If the food has to be cooked far away, transported, and reheated, quality and satisfaction are lost, and it costs more to produce the event.

For the breakdown of the usable space program of minimal size, we recommend the following:

- 10,000 SM all on one level with high ceilings that can be opened up to that full usable size, for example as an exhibit hall.
- The 10,000 SM space should also be sub-dividable, with 5,000 SM being able to function as a single ballroom with clear span.
- The space on this level should also be able to be divided up into a variety of smaller exhibit halls or high-ceiling meeting rooms.

- The 10,000 SM level should be essentially equivalent to the top level of the "Moscone West" building in San Francisco to have a concrete model for comparison.
- The 4,000 SM of dedicated meeting rooms could be on another level. A lower level would be appropriate because meeting rooms are smaller and will allow for more supporting columns to penetrate the level.
- The 4,000 SM of meeting rooms should be able to be divided or combined into a large range of space sizes.
- The meeting room level would have a proportionately lower ceiling height than the exhibit/flex space level.

In addition to these two levels of usable space, you are hoping to contain development to no more than 4,000 additional SM. Some functions really need to be on the same level as the usable space. You will need some of the following:

- Corridors for both the public and for the back-of-house service.
- Restrooms.
- Elevators, stairwells, and escalators to access those levels.
- Perhaps clever designers can fit all the absolute necessities into the 4,000 SM.

If you can consider the other functions as shared with other uses and get their space needs excluded from the 18,000 SM devoted to the EC, perhaps the clever designer can locate them effectively on other levels. The remaining functions that will still have to have space somewhere includes:

- Kitchen.
- Loading docks.
- Truck circulation and parking while unloading/loading.
- Storage.
- Elevators, stairwells, and escalators penetrating those levels.
- Corridors on those levels.
- Administrative offices.
- Employee restrooms and perhaps locker rooms.
- Some type of entrance/lobby/pre-function space from the main street level.

It will cost more to move things from one level to another, but there are many examples of EC type buildings stacked into multiple levels. Multi-level buildings can clearly be "feasible."

If other functions, such as loading docks, some of the storage, and perhaps even entrance lobbies are kept on other levels (and if you are not counting the space at those levels) it can certainly reduce your space needs at the same level as the usable spaces. In the Moscone West example, the entire loading and truck circulation function is put on a fourth level all underground, and the car park is on an adjacent site (and not counted in the total). Note, however, that there is a tradeoff: when functions are stacked on top of each other, there is a greater need for vertical transportation (e.g., elevators, escalators, and stairwells), which uses up space on every level.

Comparison of Alternatives

The following table compares the first model of an Exhibition Center primarily, with the two alternative concepts offering facilities for multi-use for the EC, and their ability to meet the criteria for the EC concept presented in the consultants request for proposals. All three concepts include the basic 10,000 square meters of net operating floor area envisioned for the EC.

In terms of what uses could be accommodated, none of them could house the largest of the art auctions and art fairs all on one floor, because they have grown to where they are now looking for 15,000 square meters of space. All of them could handle smaller art fairs and auctions, as well as the full range of other art and cultural exhibitions that take place in a flat floor venue.

The differences can be seen with conferences and conventions, with and without exhibits, along with a variety of meetings, assemblies and other events that require the wider variety of spaces that are contained in a multi-use facility, than in an exhibition facility alone.

Neither type of concept would be able to house major trade shows, which have grown in the Hong Kong market to beyond 10,000 square meters.

In terms of the business model for each type, it is highly unlikely that an Exhibition Facility with Arts Focus would be able to operate or be developed on a self-financing basis, and the most likely operating entity would be some form of non-profit that is subsidized by arts patrons or the government. A multi-use facility, on the other hand, would be able to attract a wider range of user groups and event types. This should lead to greater utilization and greater revenue production. Operating costs will be higher as well, however. A multi-use facility that attracts regional and international conferences as well as exhibition-only events will generate demand for hotel rooms, restaurants, shopping, and other uses in the immediate area. By adding value to surrounding land uses, the business model for the Multi-Purpose with Exhibition facility might then be bundled with some of the surrounding developable land to create a larger package of uses that is profitable. In other words, in the hands of the right private entity, the development opportunities surrounding the multi-purpose EC might be able to cross subsidize the EC and help pay for its development and any operating deficit.

Table 73: Comparison of Model 1 with Models 2 and 3 for Exhibition Centre

Criteria	Exhibition with Arts Focus	Multi-Purpose Facility with Exhibition
10,000 m^2 Exhibit Hall	Yes	Yes
Flexibility to Accommodate:		
Art Exhibitions	Yes	Yes
Small Art Fairs	Yes	Yes
Small Art Auctions	Yes	Yes
Concerts and Entertainment	Yes	Yes
Consumer Shows	Yes	Yes
Sporting Events	Yes	Yes
Meetings	No	Yes
Banquets	No	Yes
Corporate Meetings	No	Yes
Conferences with no exhibits	No	Yes
Conventions with Exhibits	No	Yes
Assemblies	No	Yes
Major Art Fairs	No	Possible
Major Art Auctions	No	Possible
Trade Shows	No	No
Runs Self-Financing (Covers Operating Costs)	No	Possibly
Self-Financing Development	No	Unlikely
Business Model for Operations	Non-Profit	Possibly Private

Source: ERA AECOM

Recommended Concept and Estimated Utilization

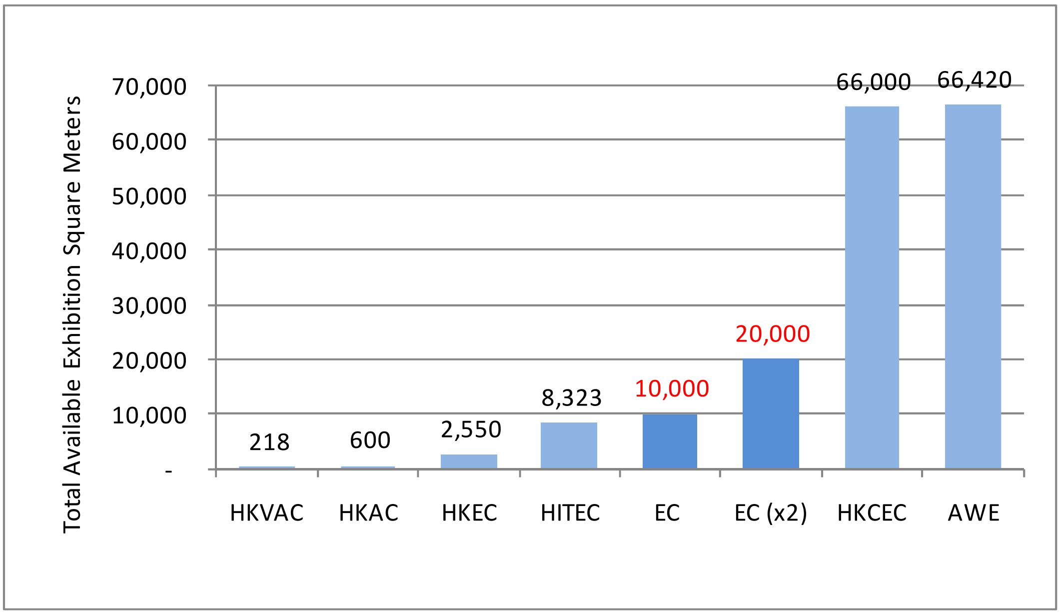
Based upon our above discussion and analysis, ERA AECOM believes that the larger concept of a multi-purpose facility with exhibition space would better serve the WKCD's goals for the EC. The initial concept of a 10,000-square-meter exhibition-only facility is not likely to be sustainable or meet the needs of a sufficiently broad range of user groups in order to keep the space activated.

It is important to note several fundamental assumptions behind proceeding with any recommendation for the EC:

- ERA AECOM's original scope of work called for a focus on arts and culture when evaluating EC concepts.
- However, our analysis led us to conclude that in order to serve the criteria to be self-financing and meet the needs of key arts and creative industry exhibition space users, the EC should be more multi-purpose and include spaces such as meetings rooms, banquet facilities, etc. in addition to exhibition space.
- We also discovered there was essentially no constituency or advocate in the Hong Kong arts community for a large Exhibition Center, but at the same time there is a significant industry that sees an opportunity for Hong Kong to fill a niche in the offering of other exhibition facilities.
- Therefore, the resulting concept that ERA AECOM is recommending for further consideration is a larger scale, multi-purpose exhibition facility that will be able to accommodate art and creative industry users, but will also play an important role in other MICE industry events.
- However, the ERA AECOM scope of work for the EC did not include evaluating market potential for this type of mainstream exhibition facility. While our research has uncovered indicators of market support for this concept, a more comprehensive study of the non-arts user groups is warranted before moving forward with this concept.
- Our work also did not include feasibility or financial analysis for the facility. This is an important step to complete prior to making any final decisions.

As shown below in **Figure 38**, the existing space in Hong Kong is either quite small (under 2,500 square meters), or very large (over 60,000 square meters). The only facility in between is HITEC, which is perceived by most of the market as unsuitable for arts and culture events. If the EC were developed with 10,000 square meters of exhibition space, it would fill a strategic niche that is currently lacking in the Hong Kong offering of facilities. This figure also demonstrates that if the EC were expanded in the future (even as much as doubled), it would still fit within the same mid-size category within Hong Kong.

Figure 38: Hong Kong Exhibition Facilities Total Available Exhibition Square Meters



Source: ERA AECOM.

The ERA AECOM scope of work for this study included providing an estimate of utilization for the EC. Again, the concept for the EC has evolved to one that is broader than initially conceived. In order to still provide WKCDA with some estimate of utilization in order to understand how a facility such as the one recommended could operate, we have focused on the exhibition hall portion only. A more complete feasibility study would have to examine other types of business in meeting rooms and ballrooms that would add both utilization and revenue beyond what is projected below. Furthermore, because some of the anticipated uses in the multi-purpose facility are likely to come from industries other than arts and creative culture, the estimates of utilization are based on how these types of facilities typically operate and indicators of demand and the competitive environment from our research.

Estimated utilization is shown in **Table 74**. These estimates are based on a variety of factors: (1) the sizes of small medium and large are defined as ¼, ½, and all of the exhibit space, using the size of the fully built out facility as a template; (2) the number of days per event is derived from ERA AECOM's observations of event profiles, affected by their size and complexity, observed in other destination cities; and (3) the number of groups per year is based on ERA AECOM's best professional judgment of a reasonably well-performing facility of this size.

As indicated, we would expect a facility with the functionality and other key operating and physical characteristics of the Exhibition Centre to achieve utilization within the exhibition area of approximately 45 percent. This is somewhat less than what is currently experienced in the HKCEC, but more than what has achieved by the AWE. Furthermore, occupancy in successful exhibition facilities seldom exceeds 60 percent due to seasonality factors and space requirements of individual users.

Table 74: Estimated Utilization for the Exhibition Centre

		Average Number of Days per Event				
Group Type	**Estimated No. of Groups Per Year**	**Event Days**	**Move-in / Move-out**	**Total Days**	**Avg. Amount of Space Used per Event (SM)**	**Occupied Square Meter-Days**
Small [1]	50	1	1	2	2,500	250,000
Medium	15	5	2	7	5,000	525,000
Large	8	8	3	11	10,000	880,000
Total	**73**	**n/a**	**n/a**	**n/a**	**n/a**	**1,655,000**
Maximum Capacity (total space multiplied by total available days)						**3,650,000**
Estimated Utilization % [2]						**45%**

[1] Small events are likely to include short events like assemblies, sporting events, festivals, banquets, etc. Medium and large events include art fairs, art auctions, creative industry tradeshows, and the exhibition component of conferences.

[2] Utilization in this table only refers to the exhibition space. Other spaces within the Exhibition Centre (i.e. meeting rooms, banquet facility, etc.) will be utilized as well. We have defined utilization primarily by the exhibition space as the defining element in this multi-purpose facility.

IX. Implication of Analysis

Physical Planning Parameters – M+

In this section, ERA AECOM analyzes the amount of physical space that will be required for M+. We begin by calculating the amount of exhibit area required to support attendance levels projected for the facility for the first phase. We then build a total facility program based on industry standard planning measures for museums as well as the exhibit area.

Required Exhibit Area

In planning for the physical size requirements for a cultural facility such as M+, there are two important factors to consider. The first, which is based on the concept of critical mass, is the amount of exhibit space that is needed to actually achieve the potential penetration rates and attendance. There is a certain amount of content required to capture the attention of local residents and visitors and ensure that they have a visitor experience that is interesting and fulfilling enough to encourage them to visit again. The second factor is related to capacity, and is the amount of space required for visitors to flow comfortably through the facility. If visitors are too crowded or have to wait in lines that are too long (other than in initial years), the negative experience will discourage repeat visitation and the facility will have to deal with significant operational issues. This second physical planning approach is based on a “design day” methodology.

The following analysis first determines the amount of exhibit area required upon opening and is based on the attendance analysis for 2017, the first stabilized year of operations. Subsequently, we analyze the amount of exhibit area required for future phases.

Critical Mass Approach – First Phase

The key operating ratio to determine the exhibit space required to create enough critical mass to attract visitors is the ratio of visitors to exhibit square feet. As discussed previously, this is an important ratio that can be used to evaluate almost any type of cultural attraction. Based upon comparable facilities and our own professional judgment, ERA AECOM estimated the amount of exhibit square footage required for M+, shown below in **Table 75.**

Table 75: Calculation of Required Exhibit Area Using Critical Mass Approach

Critical Mass Analysis (2017)	Mid	High
Estimated Annual Attendance	1,103,000	1,414,000
Ratio of Visitors to Exhibit SM (based on 8 visitor per SF)	86.1	86.1
Resulting Exhibit Square Meters	**12,800**	**16,400**

Source: ERA AECOM.

As shown, the approximate exhibit area required to attract our projected attendance is around 13,000 to 16,000 square meters.

Capacity “Design Day” Approach – First Phase

In planning for the capacity requirements of any cultural attraction, the “design day” or average high attendance day is also used as a key determinant of capacity requirements needed to adequately handle expected crowd levels. For all types of visitor attractions, it is neither necessary nor economically desirable to size facilities for absolute peak periods of on-site patronage, as some degree of crowding on special holidays or other major attendance times will be accepted by the visiting public. However, the facility must be designed to comfortably accommodate peak crowd loads on a normal high day of attendance, or lasting negative effects on visitation performance will result.

The projected design day visitation for M+ in 2012 is shown below in **Table 76**.

Table 76: Projected Design Day Attendance and Minimum Required Exhibit Area

Peak In-Museum Analysis for Stabilized Year (2017)	Mid	High
Estimated Annual Attendance	1,103,000	1,414,000
Peak Month Attendance (@ 15% of total)	165,450	212,100
Weekly Attendance in Peak Month (@ 22.5% of peak month)	37,226	47722.5
Design Day Attendance (@ 22% of week)	8,190	10498.95
Peak In-Museum Attendance (35% of design day)	2,866	3,675
Exhibit SM per Person	4.18	4.18
Minimum Exhibit Square Meters Required	**12,000**	**15,400**

Source: ERA AECOM

As shown, the resulting required exhibit area is approximately 12,000 to 15,000 square meters. This is the minimum amount required for comfortable visitor flow.

Based upon this dual methodology analysis, ERA AECOM recommends that approximately 12,000 square meters of exhibit area be developed in the first phase.

Physical Planning Parameters for M+ at Build Out

ERA AECOM also estimated the required exhibit area for build out, in 2030. We conducted the same type of analysis as shown above, displayed in **Table 77** and **Table 78** below.

Table 77: Calculation of Required Exhibit Area Using Critical Mass Approach, 2030

Critical Mass Analysis (2030)	Mid	High
Estimated Annual Attendance	1,545,000	1,962,000
Ratio of Visitors to Exhibit SM (based on 8 visitors per SF)	86.1	86.1
Resulting Exhibit SM	**18,000**	**23,000**

Source: ERA AECOM.

Table 78: Projected Design Day Attendance and Minimum Required Exhibit Area, 2030

Peak In-Museum Analysis for Stabilized Year (2030)	Mid	High
Estimated Annual Attendance	1,545,000	1,962,000
Peak Month Attendance (@ 15% of total)	231,750	294,300
Weekly Attendance in Peak Month (@ 22.5% of peak month)	52,144	66217.5
Design Day Attendance (@ 22% of week)	11,472	14567.85
Peak In-Museum Attendance (35% of design day)	4,015	5,099
Exhibit SM per Person	4.18	4.18
Minimum Exhibit SM Required	**16,800**	**21,300**

Source: ERA AECOM.

Based upon this analysis, we recommend that approximately 20,000 square meters of exhibit area be developed at build out. The space should be increased from 12,000 to 20,000 square meters prior to 2030.

It should be noted that we have not divided the exhibit area recommendations into permanent and traveling exhibition space. This is primary due to the uncertainty around the development of the permanent collection and the resulting need for flexibility. M+ may operate with a higher percentage of "special exhibitions" that are from sources outside the permanent collection for some time while it is developing its permanent collection.

Summary of Physical Planning Parameters for M+

Based on the exhibit area discussed above, the ERA AECOM team developed a physical planning program that can be used as a guideline for the facility. It is important to note that the exact breakdown of specific spaces needs to have a more detailed planning effort that involves museum management and leadership. However, we have developed a program that provides a rough breakdown of how spaces may be allocated, as well as the overall size which we believe to be appropriate. As shown in **Table 79** below, we recommend that that facility could be around 29,000 square meters in the first phase, expanding by approximately 15,000 square meters for a total of 44,000 square meters at build out.

Table 79: Preliminary Suggested Program and Space Allocation for M+

Program Areas		1st Phase Net Area (M^2)	1st Phase Net Area Breakdown (M^2)	2nd Phase Net Area Breakdown (M^2)	Full Build-out	Components
Exhibition Areas	Core Exhibition Halls and Special Exhibitions	12,000		*8,000*	20,000	
						Design
						Moving Image (Film)
						Popular Culture
						Visual Art (including Ink Art)
	Sub-Total	**12,000**			**20,000**	
Visitor Services Areas		2,500				
			640	*0*	640	Lobby
			200	*100*	300	Special Events
			800	*360*	1,160	Museum Store
			60	*40*	100	Members' Facilities
			500	*200*	700	Café/Food Venues
			300	*100*	400	Restrooms
	Sub-Total	**2,500**	*2,500*	*800*	**3,300**	
Education Facilities		2,000		*500*	2,500	
						Auditorium
						Lecture Hall
						Studio Classrooms
						Workshops / Studios
						Education Storage
	Sub-Total	**2,000**			**2,500**	
Collections		2,000		*1,000*	3,000	
						Conservation Labs
						Conservation Library
						Photography Studio
						Registration Work Areas
						Conservation Work Areas
						Office Spaces
						Archive
						Collections Storage
	Sub-Total	**2,000**	*on or off-site*		**3,000**	
Exhibition Support	Work Areas	1,000			1,000	
						Exhibit Design Studios
						A/V Workshop
						Carpentry Workshop
	Storage	200			200	
						Exhibit Prop Storage
						Crating and Uncrating Area
	Sub-Total	**1,200**			**1,200**	
Administrative Offices and Work Areas		800		*400*	1,200	
	Sub-Total	**800**			**1,200**	
Building Services		2,000		*500*	2,500	
						Staff Entry and Security Check-In
						Security Offices
						Facilities Offices
						Staff Lockers and Restrooms
						Building Storage
						Receiving Area
						Mechanical and Electrical
	Sub-Total	**2,000**			**2,500**	
Total Net Area		**22,500**		*11,200*	**33,700**	
Total Gross SM (@1.3 times Net SM)		**29,000**		*15,000*	**44,000**	

Source: ERA AECOM/ Verner Johnson

Physical Planning Parameters – EC

As described in our EC section, ERA AECOM recommends the development of a multi-purpose exhibition facility that includes meetings rooms, ballrooms/plenary spaces, and a wider variety of support spaces in addition to the exhibition space. In order to provide guidance to the design teams, ERA AECOM has expanded on the formulations for this model to be more fine-grained and specific about some of the sizing and proximity issues.

Multi-Purpose Facility with Exhibition

- 10,000-square-meter NOFA exhibition hall.
- The most desirable configuration for the exhibition hall is a contiguous rectangle on a single level. If that cannot be accommodated on the site, then a maximum of two levels (of 5,000 square meters each) could be created.
- The main exhibit hall(s) should be further sub-dividable to create the flexibility to accommodate smaller groups, and also to hold more than one event simultaneously.
- Ceiling heights should be at least 10 meters, although in some space configurations it would be nice if they could be lowered.
- Floor should be able to handle loads of up to 5,000 Kg/m^2.
- A clear span exhibit hall is desirable, but is not absolutely necessary. If columns are used, they should be at least 30 meters apart. A 30-meter-by-40 meter grid would be even better.
- Dedicated meeting rooms that have appropriately lower ceilings than the Exhibit Hall, and which can be subdivided in a large variety of configurations. Total space for meeting rooms should be in the range of 5,000 to 8,000 square meters NOFA. The trend worldwide in recent decades has been for facilities to have proportionately more meeting rooms to exhibit space.
- At least one large ballroom with a higher ceiling than the meeting rooms. This space does need to be clear span and should be 4,000 to 5,000 square meters NOFA. The inclusion of a separate and special purpose ballroom allows major plenary functions to occur in a portion of the exhibition hall, followed immediately by a banquet function in the ballroom. It creates the ability to "meet and feed" all the delegates at an event.
- Lobby and pre-function area.
- Public restrooms.
- Administrative offices.
- Storage.
- Service Corridors, food and beverage concession areas, food preparation area.
- Including all ancillary support areas and escalators, elevators and circulation, the total gross building area on multiple levels could be as large as approximately two times as large as the total of the functional areas (exhibition space, dedicated meeting rooms, and plenary/ballroom), or in other words 40,000 to 46,000 square meters.
- In terms of site footprint, the most desirable single-level configuration for the main exhibition area would mean that a minimum of 10,000 square meters of land area would be needed. Ideally, many of the lobby and support functions would be on the same level, meaning that a land area of up to 20,000 square meters could be required. Note, however, that the EC need not be the only thing occupying this site area. The EC functional spaces could be developed above or below other land uses on the same site with proper design.
- If at all possible, some outdoor space in close proximity to the exhibition hall should be designed to be used in conjunction with the indoor space during good-weather times of the year. Some events could then include large art sculptures and other types of displays in the outdoor setting simultaneously with the indoor portions of the event.
- If at all possible, room should be reserved for future expansion. The HKCEC is a good example of a common experience around the world over the last 20 to 30 years, where city after city has built ambitious multi-purpose exhibition and meeting facilities, only to find their

ambitions were not large enough and within a few years after a building is complete it needs to be expanded. And after the expansion has been completed, it needs to be expanded again. The landscape design and locations of adjacent land uses should be planned so that the main exhibit floor(s) of the EC could one day be expanded in a contiguous fashion, perhaps up to double the 10,000-square-meter space being envisioned at this time.

With careful design, it should be possible to phase the development of the full EC program described above, where the ultimate facility includes the 10,000-square-meter exhibition hall. The basic profile for an initial phase of EC development is described in Table 80 below.

Table 80: Recommended Initial Size and Allocation of Space for the Multi-Purpose EC

Function of the Space	Size of Initial Phase (m^2)
Functional Areas	
Exhibition Space (first phase)	6,000
Dedicated Meeting Rooms	3,000
Plenary / Ballroom	0
Total Major Functional Areas	9,000
Supporting Spaces	
Entrance Lobby/Prefunction	
Restrooms	
Administrative Offices	
Kitchen	
Corridors	
Storage	
Escalators, Elevators, Stairs	
Other Back-of-House	
Total Supporting	4,500
Possible Gross Building Area	13,500

Source: ERA AECOM.

Later phases of development could then be deferred until the initial phase proves its success in the West Kowloon market area. If it were to take two years to construct the initial phase, and say three years of operations to prove itself, the later phases might not start construction until the fifth year or so. A second phase could then add another 4,000 square meters of exhibition space to bring the facility to full build-out of 10,000 SM. Another 3,000 square meters of meeting rooms would also be appropriate, bringing the total to 6,000. A 4,000 SM ballroom, which is often constructed as a top level because it is clear span, could then be added as a third phase. Thus, in the profile for the final build-out there would be approximately 20,000 square meters of functional areas. According to this development scenario, the first phase would be open in 2015. Phase 2 would follow five years later and open in 2020. Phase 3 could be developed at the same time as Phase 2, or could follow in another five years, opening in 2025.

Using a factor of 2.0 to account for all of the other area within the gross building area (including a larger lobby and pre-function area added in one of the later phases, administrative offices, kitchen, horizontal and vertical circulation, etc.) the total building area could be as large as 40,000 square meters. If clever and efficient design is able to hold the gross building area factor down as low as 1.7, then the total building might contain only 34,000 square meters.

SWOT Analysis- M+

ERA AECOM has completed the following SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis for the proposed M+. Conclusions are as follows:

Strengths

- The project is of significant investment and scale.
- The architecture will be iconic, designed by a signature architect.
- The breadth of topics has wider audience appeal than more narrowly focused museums.
- Hong Kong has strong growth in the visitor markets.
- The site features prime waterfront location with views looking out over the harbor and Hong Kong Island.
- The "+" in M+ represents a new era of museums, which is more engaging for the public with content and programming.
- There will be a large campus feel with wide visitor amenities including a café/restaurant, retail stores, etc.

Weaknesses

- The diversity of topics may be confusing for visitors.
- There is a low propensity of local markets to attend museums and a general lack of interest in museums.
- Modern and contemporary art museums like M+ are more specialized than encyclopedic art museums.
- There is no existing collection.
- The Chinese market comprises the majority of the visitor market. Existing Chinese tourists do not tend to visit museums at a high rate.
- Pedestrian access is uncertain without significant improvements.
- The four topics are currently represented to some extent in existing HK museums through special exhibits and the overlap will need to be addressed.

Opportunities

- There are synergies with other uses planned for the cultural district, providing an opportunity to capture visitors.
- There is an opportunity to become the cultural place maker for the district.
- M+ could attract top collections of Chinese and Asian modern and contemporary art. Hong Kong has tax advantages comparative to other locations in Asia and is competitive.
- Contemporary Chinese art is very popular at present.
- The China visitor market is a potential growth opportunity, as that market sees growth in their appreciation of art, income levels increasing, and so forth, M+ will be more attractive.
- M+ provides an opportunity to offer more arts curriculum to local residents.
- There is no other museum of this scale in Hong Kong.
- There is an opportunity to allow sufficient space to hold multiple temporary exhibitions and to have robust educational and other programming, all which can improve the visitor experience and visitation.

- The planned flexibility in themes allows for a wide degree of change to programming.

Threats

- With government management, M+ may not be able to receive private collections.
- There is an existing art museum in Hong Kong.
- Visitors are not attracted to Hong Kong for museums; tourism investment is in other kinds of attractions.
- There is no executive team on board, currently, to advise on physical planning and project development.
- The lengthy planning process has led to less than ideal public and international support.
- The ultimate "product" is largely unknown now, as it will be left up to the curators and museum management.

SWOT Analysis – EC

ERA AECOM has completed the following SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis for the EC. Conclusions are as follows:

Strengths

- The EC provides a large indoor space for a wide variety of arts and cultural events.
- A multi-use EC can generate earned revenue through rental of spaces.
- Because it creates land value for surrounding parcels, especially for hotel and restaurant development, the private developers may be willing to contribute to its development costs.
- There is existing demand for multi-use meeting space currently in the market.
- Flexibility in space will serve different types of uses in different seasons of the year.
- There are potential supporters and advocates from the MICE community.
- The district, near the water and with lavish public open spaces, creates an attractive environment for international meetings business.

Weaknesses

- A building of the quality necessary to house multiple uses will be large and very expensive to build.
- The arts community is not advocating for this facility and there seems to be a lack of support from the arts community.
- Pedestrian access is uncertain without significant improvements.
- An easy connection to Hong Kong Island hotels, amenities, and population is not currently planned.
- No clear concept for the EC has been articulated.
- Conference and meeting facilities often require operating subsidies.

Opportunities

- The EC fills a midsized niche in the Hong Kong offering of meeting and exhibition spaces.
- The EC could house MICE events and conferences for the creative industries.
- It could attract international visitors to the district who then become patrons of other artistic and cultural offerings in the district.
- International meeting business creates beneficial economic impact that ripples throughout Hong Kong.
- The China market is a potential growth opportunity; Mainland Chinese growth in professional associations and creative industries could add to demand for meetings.

- As creative industries mature, they will have needs for additional and more varied events.
- Center could support commercial art industry in Asia.

Threats

- The EC may compete to some extent with existing inventory of exhibition facilities in Hong Kong.
- There is growing competition in Singapore, Bangkok, and Macau for MICE facilities.
- The EC may not be able to attract high-end art fair and auction business due to preference for Hong Kong Island location.
- There is a perceived conflict between co-location of non-profit museum uses and profit making commercial arts market.

Strategic Positioning- M+

ERA AECOM has analyzed strategic positioning for the institution as it relates to the local market, region, and international community. A summary of our analysis is below.

Local	Regional	International
▪ Gathering place for local residents ▪ Differentiated from existing HK Museum of Art ▪ Cultural hub for Hong Kong ▪ "Hip" place to be in Hong Kong ▪ "Hip" events for young people / social networking place ▪ Secondarily, place for school children to learn about Chinese culture & art ▪ Hub / facilitator for art education in Hong Kong ▪ Exciting and energetic through active programming	▪ Receptacle / custodian of top contemporary art collections in Asia ▪ Premier exhibition facility for new artists in Asia ▪ Top supporter of emerging artists in Asia ▪ Number one Asian contemporary art museum in the Asian region, particularly for Chinese art ▪ Top visitor attraction for Asian visitors ▪ Captivate Mainland Chinese market through retail, architecture, and food	▪ Premier lending institution for contemporary Asian art ▪ Resource for the world on Chinese contemporary visual culture ▪ Top visitor attraction for international visitors to Hong Kong ▪ Premier contemporary art facility for Asia ▪ Building and programming / exhibitry becomes identified with image of Hong Kong ("Sydney Opera House" Effect)

Strategic Positioning- EC

ERA AECOM has analyzed strategic positioning for the EC as it relates to the local market, region, and international community. A summary of our analysis is below.

Local	Regional	International
▪ In off season, potential to be a marketplace for local arts and other creative industry events ▪ A place for local events to be held (during off-peak season) ▪ Accommodate public / consumer shows during the off season ▪ Place for local art collectors and enthusiasts to go see and buy top Asian regional art ▪ Occasional use as a performance venue for the arts	▪ Competes effectively with other regional convention / conference destinations such as Macau, Singapore, Bangkok ▪ Center for commercial art in Asia ▪ Captures the meetings and conventions that grow due to evolving economic maturity in Mainland China ▪ Positioned as a meeting facility located in an exciting hub of culture and arts in a world class city	▪ "Jewel" of a facility for people-intensive meetings, conferences, and small conventions ▪ Identifiable auction and art fair venue associated with WKCD ▪ Potential to become the "Messe Basel" of Asia ▪ Positioned as a meeting facility located in an exciting hub of culture and arts in a world class city

Marketing Strategy- M+

Museum Plus or M+ has been described as "a forward-looking institution, to present visual culture of the 20th and 21st century from a Hong Kong perspective, the perspective of now and with a global vision".[3] Located in the West Kowloon Cultural District, the proposed development is planned to be developed as a major initiative in order to further the Hong Kong government's existing policies on culture and the arts; in other words, investment in culture and the arts is not entirely demand-led, but is more supply-led and vision driven, while being mindful of prudent financial principles over the commitment of public resources."[4]

Museum marketing is somewhat unique in that museums, unlike commercial attractions, have a mission to educate the public as well as build audience and revenue. Reconciling mission and market is at the heart of an effective museum marketing plan. A strategic marketing plan, similar to a road, has a starting and ending point, showing you where to go and where not to go in order to reach the desired goals. As museums operate in an ever-changing environment, a marketing plan should be developed with the ability to change and adapt as circumstances dictate. As marketing platforms change rapidly with the times and will continue to shift over the next ten years, the strategies identified herein are meant to serve as guidelines for the process that must be followed in order to develop and implement a successful marketing plan. A marketing plan should be developed in five steps:

1. Situation Analysis
2. Determining the Market Opportunity
3. Setting the Marketing Objectives

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[3] *Recommendation Report of the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural district (WKCD), June 2007*
[4] *Ibid.*

4. Strategy and Program Development
5. Implementation, Monitoring and Evaluation

The first question that needs to be answered before building a museum marketing strategy is: What kind of an experience will the museum offer to the visitor? Ideally, this answer would be developed by the Museum Directors and would reference the actual collection of the museum. For the purposes of this strategic marketing plan, we are incorporating the following descriptors:

> *The West Kowloon Cultural District (WKCD) is to be developed into an integrated arts, cultural, entertainment, commercial and residential district with world-class facilities and a distinguished identity. A cultural institution with a museum function temporarily called "M+" (Museum Plus) was recommended by the Consultative Committee on the Core Arts and Cultural Facilities of the WKCD (CC) to be developed in the WKCD. Specifically, M+ would focus on 20th-21st century visual culture from a Hong Kong perspective. Design, moving image (such as video, film, etc.), popular culture (such as comics, canton pop, toys/ games, food culture, etc.) and visual art (including ink art) had been proposed as the initial broad groupings.*

Situation Analysis

A strategic marketing plan, similar to a road, has a starting and ending point, showing you where to go and where not to go in order to reach the desired goals. The starting point for a marketing strategy is to discern the environment from which the museum will operate or the situational analysis. Again, these points should be addressed by the Museum Director and his/her staff and the answers will reflect the current environment.

- What is the goal?
- Who are the potential customers?
- What are societal influences/political influences?
- What is the current economic environment?
- What is the competition/comparables for a visitor's time and money?
- Are there any physical environment, seasonal influences that should be considered?
- How will current technology influence the market?

Much of the information outlined earlier in Section II of this report, e.g., the Concept Overview, Strengths and Challenges will need to be re-addressed in the eighteen months prior to the opening of M+ in order to re-evaluate the parameters in order to build a clearly defined road map.

Determining the Market Opportunity

The potential market opportunity has been noted earlier in this report and also addressed in the Nielsen research. To recap, at this point it appears the Resident Market has income and education levels similar to that of other major cities in the world and that generally correlate to a museum-going audience. The majority of the Resident Market is between the ages of 25-49, which is not the usual target market for a contemporary art museum (50+). However, the Nielsen data indicate that the younger resident audiences are most interested in the M+ concept.

Challenges within the Resident Market are the fairly modest size compared to other metropolitan areas with world-class museums and the physical constraints due to the limited amount of developable land and borders.

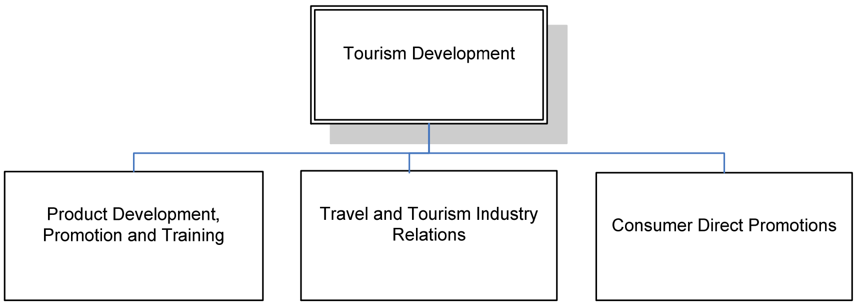
The Visitor Markets for M+ consist of both the day-trip visitors and the international visitor market. The day-trip market is primarily supplied by visitors from Mainland China. Other sources are Taiwan and Asia. It is a young, large and robust market with fairly even visitation patterns. Nielsen research indicates the China market seems interested and enthusiastic about the M+ concept.

The Visitor Market is challenging in that day-trippers are the least likely to attend a museum, the length of stay is modest and visitors from China have the lowest museum visitation rates. Visitors who come to Hong Kong are most interested in shopping and dining. "Visiting a cultural attraction" ranks 5^{th} out of 6 choices, surpassing only "visiting friends and relatives".

While the projections indicate the market opportunity for M+ will be viable, closer to opening date of M+, the Resident Market and the Visitor Market should be further refined in order to determine the cultural constituencies within each of these macro segments and the marketing opportunities they will afford the project.

Within the current competitive/comparable market in Hong Kong, there appears to be room for M+ as described. The current key characteristics of the five major museums in Hong Kong as outlined in Technical Report (attendance, visitor profile, pricing and physical facilities) indicate another museum of the size, scope and concept of M+ would be acceptable.

In order to ensure the success of M+ however, a separate, independent and experienced marketing department must be in place. While the resident marketing activities may be handled in an efficient manner, a museum of the currently planned size and scope will be dependent upon Tourism Development which in turn depends on the cooperation of many related fields:



Key marketing activities including plan development, logo development, research, staffing, agency selections, e-marketing, publicity, advertising, and sales programs should be developed with input and cooperation from internal as well as external entities. Both resident and tourism key marketing activities have been noted in greater detail in the key activities marketing timeline that follows.

The information gathered from the case studies points out that "marketing" means many different things to each institution. Most include some sort of advertising, communication and public relations activities; some include education and outreach in their marketing arenas, others include sales efforts in the marketing arena.

For the purpose of M+, it is recommended that a defined marketing department with a more commercial (than institutional) focus is established. In order to create a commercially driven marketing department, specific and detailed marketing goals and objectives should be developed by the museum leadership. Defined marketing goals and objectives established by museum leadership may then be incorporated into the marketing plan that is developed by the marketing team. In order for a plan to be successful, it should be written and implemented with stakeholder involvement so that there is “ownership” helping to further ensure a successful outcome.

There are a number of benchmark gauges that commercially driven marketing and sales plans use as indicators to gauge success. Admissions yields, attendance by admission category and ratios of non-labor marketing dollars to attendance may be tracked in order to determine the productivity of marketing dollars being spent. Another metric is the cost of non-labor marketing dollars viewed as a percentage of revenue, and in terms of spend per visitor. Spend per visitor is a little more difficult to draw comparisons across attractions, as admission price is a key component of this calculation. These gauges may be incorporated once the museum is operating. For planning and budgeting purposes, a successful commercially-oriented museum attraction, non-labor marketing costs generally represent between 6 percent and 10 percent of the total revenue and 10 percent to 15 percent of earned revenue. Successful commercial attractions in Hong Kong have marketing and sales staffs that range in size from 4-14 people and have marketing budgets that range from 4 percent-8 percent of their total operating budgets. (As all revenue in commercial attractions is “earned”, the usual comparison metric is total operating costs versus their revenues as is the norm in museums.)

Setting the Marketing Objectives

Basic, broad marketing objectives – what are they? These must be developed by the museum leadership of the planned museum. Once the broad objectives have been established, the specifics, including goals by market segments, initiatives to meet those goals and a timeline to accomplish the tasks, may be defined. Traditional goals include the following; however, museum leadership at M+ may define others as dictated by mission statement, societal and or political influences of the times near opening.

- Attendance Goals
  - By market segment
  - Initiatives to reach that market
- Revenue Goals
  - By market segment
  - Initiatives to reach that market
- Timeline

Strategy and Program Development

Based on the experience offered by the museum (determined mainly by the collection) and the profile of the guests, it should be determined how M+ will be presented to the public. This positioning statement must be developed so that the museum’s mission and the marketing come together and must be agreed upon by the museum leadership. From there the essential elements of a marketing plan may be developed – the product, price, promotion and place.

- Product
  - The description of what M+ will offer to the visitor in the upcoming year
- Pricing Strategy
  - The perceived benefits of a visit versus the costs in time and money
- Promotion/Timing
  - The marketing team must define the creative strategy that is derived from the positioning statement.
  - The means of marketing of M+
  - Advertising – the creative look, feel, message and copy, used to reach a broad and diverse audience
  - Public Relations/Publicity – supports the strategic direction, audience segmentation, market position and creative plan. Marketing Public Relations usually falls within three categories:
    - Image PR
    - Routine PR
    - Crisis PR
  - Promotions – cooperative programs that generate exposure for M+ with media/retail partners with matching audience segments
  - Special Event Sales – Sales efforts and timing of events
  - Group Sales – sales efforts targeted toward affinity groups, professional and the tour/travel industry
  - Direct Marketing – is accomplished through direct mail, telemarketing, e-communications and personal contact is an effective way to customize a message for a specific target market
- Place
  - Determination must be made where the promotion/advertising efforts take place. The distribution of the message and the timing of the message varies between media types, audience segments and other factors
  - Additionally, arrival points, access to M+, and other geographical factors must be considered in order to determine the most advantageous target for the individual messages.

The next step is the development of marketing department budgets that would accomplish the agreed-upon attendance and revenue goals. The budget would include: staff salaries, costs of advertising, advertising preparation (buys and collateral), signage, sales expenses, travel, participation in trade shows, mailing, collateral development, web costs, on-going market research, and etcetera. For planning purposes, the non-labor marketing expenses generally range between 6 percent and 10 percent of the total operating budget.

Implementation, Monitoring and Evaluation

For it to be successful, the entire M+ institution should support and uphold the marketing plan developed. Specific objectives and goals should be placed in the plan to monitor performance. Retail and food service goals at M+ could also be factored into the plan as appropriate. Performance monitors may include:

- Attendance Goals
- Revenue Goals
- Media Hits
- Research Schedules
- Special Event Schedules
- Quarterly Market Research dates

Conclusion

This M+ marketing section outlines a traditional framework for building a museum marketing plan. While every museum will develop its own style and brand over time, the basic strategies outlined should be followed in order to ensure a successful plan is developed and implemented. Additionally, it is recommended that a committee of the other marketing team members for the public elements at WKCD is established and their efforts coordinated in order to ensure that a seamless message is relayed to the public regarding the entire project.

A marketing plan is a working document that should be used constantly by museum management to monitor marketing progress. Continuing the road map analogy, without a marketing plan, a museum does not know if money is being spent appropriately nor if it is traveling in the right direction down the right road. A plan will help a museum understand why and where its strategy worked (or did not work) thereby leading to better, more effective future planning. Once M+ leadership is in place, the mission statement is developed, the collection secured, the experience defined and the remaining critical points addressed, a specific marketing and sales plan will be able to be developed and implemented using the steps outlined herein.

Figure 39: Sample M+ Marketing Timeline

Sample Pre-Opening Marketing Timeline	18 mos out	17 mos out	16 mos out	15 mos out	14 mos out	13 mos out	12 mos out	11 mos out	10 mos out	9 mos out	8 mos out	7 mos out	6 mos out	5 mos out	4 mos out	3 mos out	2 mos out	1 mo out	M+ Opening
MARKETING PLAN																			
1st draft Mkt Plan																			
Final Mkt Plan draft																			
Update & revise																			
KEY ACTIVITIES TIMELINE																			
1st draft pre-opening marketing timeline																			
Update & revise																			
Ppt Mkt Plan summary																			
Update & revise																			
MARKETING BUDGET																			
Update & revise																			
M+ Approved Logo																			
Marketing Research																			
Area Market study																			
Price elasticity																			
Mkt Recruitment																			
Digital Media Manager																			
Communications Manager																			
Promotions Manager																			
Media Manager																			
Marketing Executive																			
Branding study																			
Creative agency selection process																			
Present brief																			
Agencies to present proposals																			
Select agency																			
PR agency selection process																			
Present brief																			
Agencies to present proposals																			
Select agency																			
Media agency selection process																			
6-month consulting agreement																			
Present brief																			
Agencies to present proposals																			
Select agency																			
E-Marketing																			
Website development B2B																			
Press Media / Updates																			
Website development B2C																			
CRM (Customer Relations Management)																			

Sample Pre-Opening Marketing Timeline	18 mos out	17 mos out	16 mos out	15 mos out	14 mos out	13 mos out	12 mos out	11 mos out	10 mos out	9 mos out	8 mos out	7 mos out	6 mos out	5 mos out	4 mos out	3 mos out	2 mos out	1 mo out	M+ Opening
Publicity																			
First Draft M+ Release and Fact Sheets																			
Feedback / Approval																			
Pre-opening Publicity Plan Draft for Marketing Plan																			
Finalize Pre Opening Publicity Plan																			
Draft Pre-opening press releases (1 year out)																			
Develop Pre -opening media kit collateral package																			
Digital Media Distribution																			
Final Pre-opening press releases and fact sheets approval																			
Media online site goes online																			
Explore M+ radio concept																			
One year out on site media launch																			
First M+ quarterly newsletter distributed																			
Begin developing strategic media alliances and partners																			
Monthly media on-site media tours begin																			
Target market (local and regional) media visit program begins																			
Media hard hat on-site special event																			
Roof topping off ceremony and media event																			
Second M+ quarterly newsletter distributed																			
Revise and update media kits																			
M+ on-site media preview family picnic																			
M+ significant construction milestone event																			
M+ media events finalized																			
M+ media hard hat visits and briefing																			
Finalize high impact count-down to M+ opening media outreach plan																			
Initiate discussions for M+ Pre-opening week plan																			
Revise Media information kits and web site for Opening events																			
Advertising																			
TRADE																			
Trade publications																			
Online																			
CONSUMER																			
Finalize consumer media plan																			
Magazines																			
In-flight magazines																			
Newspapers																			
Outdoor																			
Radio																			
TV																			
Online																			
Shopping centers																			
Special events																			
Cinemas																			
Promotions																			
Media promotions																			
Sponsor promotions																			
Retail/co-branded promotions																			
Marketing Collateral																			
B2B																			
B2C																			
POS																			
GRAND OPENING M+, West Kowloon Cultural District																			

Source: ERA AECOM/MR

Marketing Strategy- EC

A marketing plan for the EC will be radically different from the marketing plan for the M+, because they are entirely different types of land uses and tap into entirely different markets. Development of the marketing plan for the EC, however, may proceed in the same five steps as that for the M+:

1. Situation Analysis
2. Determining the Market Opportunity
3. Setting the Marketing Objectives and Booking Priorities
4. Strategy and Program Development: Ownership, Management and Marketing Entities
5. Implementation, Monitoring and Evaluation

The first question that needs to be answered before developing an EC marketing strategy is: What is the purpose of this major facility? Ideally, this answer would be developed by a broad consortium of those in the Hong Kong community that have a stake in creating a vibrant and successful urban district in West Kowloon that Hong Kong can be proud of.

Situation Analysis

A strategic marketing plan for an Exhibition Center also needs to start within the context of what is intended for the ultimate use of the facility. Issues of investigation are similar to those for the M+.

- What is the goal?
- Which objective is more important: make money within the facility itself? make money for the district as a whole? house arts events?
- Who are the potential user groups?
- How does the EC benefit the private development within the WKCD?
- What is the current economic environment?
- What is the competition/comparables for possible EC users within Hong Kong?
- What is the competition/comparables for possible EC users within the Asia region?

Determining the Market Opportunity

Two distinctly different types of facilities were discovered during the research for the EC. The first was what was loosely envisioned by the early planning committees for the cultural district, and would essentially be one large exhibit hall of 10,000 square meters, with virtually no other facilities or amenities included (i.e., a lobby, restrooms, loading docks, administrative offices, and internal circulation for a total of 12,500 square meters.)

The second was a multi-purpose facility that would house all the exhibition users that the first facility concept would, but it would also have meeting rooms, a ballroom, and other facilities to enable it to be used by a wider variety of event types. With the assumed goal of being able to handle the 10,000 square meters of exhibition space originally specified, the multi-purpose facility would have to become significantly larger in order to accommodate all the other types of spaces as described above.

Based on the preliminary study conducted for the EC to date, there appears to be a market opportunity in Hong Kong for the multi-purpose type of facility. On the other hand, there appeared to be no particular market demand from the arts community for just a freestanding exhibit hall as called for in the initial concept. If a decision on which facility type cannot be made based upon these preliminary findings, then additional work should be done to define the market opportunities so that a firm decision can be made and a type of facility determined. In order to describe a marketing strategy further, it is assumed below that the preferred facility type is multi-purpose.

Setting the Marketing Objectives and Booking Priorities

A multi-purpose facility will be capable of attracting a wide variety of events, and each event type has unique attributes:

- Some attract visitors from beyond Hong Kong who stay in hotels;
- Some attract mostly local residents;
- Some attract large numbers of people, with perhaps only minimal need for exhibits;
- Some attract large numbers of exhibitors who require lots of open floor space;
- Some last for a week or more;
- Some last for only a few hours;
- Some events are well established and reoccurring, and will book space many years into the future;
- Some events are much less organized, or are perhaps new for the first time, and will book only a few months before the event is planned to occur;
- Some will use all the space in the new building;
- Some will use only a small portion of the building, and perhaps only one type of space;
- Some require extensive food and beverage provided within the facility;
- Some expect a wide variety of food and beverage restaurants and cafes to be located in the district around the EC; and
- Many other differences.

The logical way to select and prioritize event types for inclusion in the calendar of events to take place in a multi-purpose facility is to establish a “booking policy” as part of the operating rules for the facility. The booking policy must flow from the goals and objectives set in the first stage of the marketing strategy above.

For example, if one objective is to have the EC add value to the private development in the WKCD, and another is to create a beneficial economic impact for Hong Kong in general, then a booking policy would give priority in booking dates many years out only to user groups that are proven to be able to attract many visitors from outside of the area who will fill up hotel rooms. Sometimes criteria are set that specify a minimum “pick up” off hotel rooms, such as 2,000 hotel rooms sold on a peak night, or 5,000 room-nights over the full course of an event.

Often the first priority given to these groups that generate beneficial economic value is granted only for dates beyond one year, or perhaps 18 months, out from the present time. Because most of these types of groups book long in advance, this means that the priorities can shift away from these once the calendar is within a year or 18 months.

Within say, 18 months, the space in the building that remains could be granted according to other goals and objectives. For example, if another objective is to serve the arts community, those types of groups can be scheduled next, giving them second priority. Some criteria might need to be set regarding the types of art events, whether the events enhance the offering of the M+, whether the events generate revenue, or whether the events serve other objectives.

A third priority could be set as well, perhaps within a more restrictive time period, such as one year. Any space remaining after first-priority economic impact groups, and second-priority arts community events have been scheduled, could be given according to some other objectives. If an objective of the EC is to require as little subsidy as possible to operate, then the third priority could be given to events that will pay the highest rent for building usage, regardless of the type of event. In many markets, these become essentially marketplace events that attract local residents shopping for consumer goods such as apartment furnishings or consumer electronics.

Strategy and Program Development: Ownership, Management, and Marketing Entities

A marketing plan will be heavily influenced by the goals and objectives for the EC as described above, but will also be influenced by the configuration of entities selected to own, operate, and market the facility. For a large multi-purpose exhibition facility of the type described for the EC, it is most common for the ownership to be a public entity. We assume the Hong Kong government through one branch or another will be the ultimate owner of the EC. One option would be for the government to not only own the building, but also to operate it, and also to do all the marketing. There are precedents for many other options, however.

For example, the management of ongoing building operations could be contracted out to a private company. This is essentially the business model for the HKCEC. One option would be to retain the HKCEC management company to also manage the EC. There are other experienced public assembly facility management companies to choose from as well.

For long-range marketing of events with a regional and international draw, a separate entity specializing in broad tourism and event marketing is often employed. Many of these are private, non-profit, marketing organizations such as convention and visitors bureaus (CVBs), or quasi-public economic development corporations. For example, long range marketing for the EC could be contracted out to the HKTB or a similar locally-based marketing organization.

Once the time frame is within 12 or 18 months, typically the marketing is taken over by the same entity that operates the building. This is especially if one of the objectives of the management/operating entity is to have the lowest possible operating subsidy (i.e., perhaps even generating an operating revenue surplus). The building operator/manager then has the incentive to market and attract as many local revenue-producing events as possible, and to fill up all the dates for each space within the building.

Assuming a traditional dual entity marketing structure, the government as building owner, those charged with operating the EC to maximize its goals, and the stakeholders in the WKCD that are developing the private components of the district need to define the operating goals and objectives and ensure the marketing entities conduct the following:

- Product
  - The description of what the EC is intended to accomplish on behalf of the Hong Kong community.
- Pricing Strategy
  - Pricing may vary for different types of user groups. Non-profit arts groups might have discounted space rental rates. Commercial consumer show promoters might be charged maximum space rental rates.
  - Pricing for building space rentals might be subsidized, or waived outright, if major tradeshow or convention/conference user groups bring in enough overnight visitors and their spending, so that the economic benefit of the event more than offsets the amount of building rent subsidy. Criteria would have to be set and agreed upon in advance.
- Promotion/Timing
  - The long range marketing team must be given clear control over future dates up to a specified near-term time horizon.
  - The means of marketing the EC could be similar to that described for the M+ above and might include
    - Advertising – the creative look, feel, message and copy, used to reach a broad and diverse audience.
    - Public Relations/Publicity – supports the strategic direction, user group segmentation, market position and creative plan. Marketing public relations usually falls within three categories:
      - Image PR,
      - Routine PR, and
      - Crisis PR.
    - Promotions – cooperative programs that bring in meeting planners to become familiar with the new EC facilities and the package of hotels and other tourism infrastructure in the WKCD and elsewhere in Hong Kong.
    - Special Event Sales – Sales efforts and timing of events.
    - Presence at Meeting Industry Conventions/Tradeshows – sales staff from Hong Kong should promote the EC as part of their attendance and participation at professional tour/travel industry international meetings.
    - Direct Marketing – direct mail, telemarketing, e-communications and personal contact is an effective way to customize a message for a specific target market composed of pre-screened potential user groups and their meeting planning executives.

Implementation, Monitoring and Evaluation

For it to be successful, the entire stakeholder group, including the Hong Kong government, should hold the marketing and management entities accountable for performance in attempting to meet the goals set out in the booking policy:

- Room-Night Generation Goals
- Revenue Goals
- Policies to Include Arts Events
- Service to the WKCD and the Broader Hong Kong Community

Conclusion

The EC is not a freestanding land use all by itself. It works synergistically with both public and private land uses surrounding it within the WKCD.

A multi-purpose EC is a "blank slate," a flexible venue that can accommodate a wide variety of events. As such, the mix of events over the course of a whole year can: provide an economic stimulus to the Cultural District, house a variety of arts groups, attract visitors to the district who then become consumers of the arts and cultural offerings of the District, generate adjacent land value and demand for hotel development, boost restaurant and retail sales in the vicinity, and provide cultural and entertainment events that enrich the quality of life for Hong Kong residents.

It will be marketed by a team of professionals, some of whom are working to achieve different objectives within different time frames. This allows for a balance between the sometimes conflicting goals of long-term bookings to generate district wide economic impact and revenue generation within the EC operations itself.