

Analysis of the Market Environment in the Field of Music Agencies

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1. Introduction

Public institutions and orchestras are used as teaching examples and models for students of Music Management at the *Janáček Academy of Music and Performing Arts*. The situation is the same in the Music and Arts management study programs of other Czech universities as well. The main research activities in the field are driven by interest in publicly financed organizations and in the non-profit sector overall.

The commercial side of music management is often represented by small-scale enterprises, but their activities have received insufficient attention. *Analysis of the Market Environment in the Field of Music Agencies* aims to carry out a pilot, multi-parametric market survey in the field of market-oriented music agencies promoting and representing the South Moravian region of the Czech Republic.

Since 1989 the environment has radically changed, and the available data is not relevant to the current situation and research. The field of music economics provides a wide range of career and learning opportunities for music managers. Students have to develop their professional skills and an understanding of the hardships of a privately-owned agency in the same field. Until the political changes in the 1990s, there was a monopolistic Czech music agency, *Pragokoncert* (DOHNALOVÁ 2009: 32).

The opening of the market was followed by a rapid growth of new agencies, but this specific change and the resulting situation has never been described before.

This study aims to review and describe the actual situation with regard to music agencies. The analysis will further encourage young music managers to follow up and better understand one part of the commercial side of the music business and will provide them with the first comprehensive set of information that could be useful in starting up a business, making improvements, or simply as a tool for better orientation with regard to the commercial sector possibilities and

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obstacles. The ability to manage one's business might prove crucial in the near future, and not only for privately-owned companies. However, in a short while, this ability will play the most crucial role in the public sector, as there is obviously a significant decrease in governmental subsidies and there is little chance of a rise in public financing in the near future (ZA ČESKO KULTURNÍ 2013).

This analysis' focus on the South Moravian region has been chosen because of the *Janáček Academy's* location in Brno, which is the region's commercial hub. During their studies, students of music management are encouraged to participate in internships. Thus the region is the closest environment where they can gain such experience.

1.1 A brief history of music agencies' development in the 20th century in the Czech Republic

The development of music agencies in the Czech Republic is connected with a global expansion of the music industry during the post-WWI period. At that time, music agencies in what was then Czechoslovakia were called concert offices and their focus extended from classical music to jazz and popular music (MACEK 1997). The promising development of private enterprises in the field of music was discontinued in 1948, when, under the influence of communist ideology and following the Soviet Union's model, the entire private sector was liquidated. The activities of private music agencies were taken over by a newly formed state Music and Arts Office [Hudební a artistická ústředna], which brought together musicians, poets, and a variety of artists, dancers and entertainers (MACEK 1997).

The nationalization of the art sector was, from the perspective of the government, the basic prerequisite for making culture accessible to the whole society (SZÁNTÓ 1985). In the 1950's, it became clear that the state monopoly of the Music and Artistic Bureau was not able to reflect all the needs of society and thus, many reforms to existing institutions, and establishment of new ones, were made during the communist era (ŠTĚPÁNEK 1965).

In the late fifties, there was a significant increase in demand for Czech artists abroad and also for foreign artists in this country. Business relations in the arts were made, not only with socialist, but also with capitalist countries. Following the example of other socialist countries, Music and Theater Agency [Hudební a divadelní agentura] was

established in 1958 (SZÁNTÓ 1985). This agency had a monopoly on all kinds of international cooperation in the music sector. The Communist regime thus secured the supervision of all business transactions and contacts with foreign countries, and also the implementation of its policy on foreign economic relations (SZÁNTÓ 1985).

In 1961, the Musical and Theatrical Agency was renamed as *Pragokoncert* (BARANČICOVÁ 2009) and, at the beginning of 1968, its activities in the area of professional musicians was appropriated and a new organization Tóncentrum established (SZÁNTÓ 1985).

In the late sixties, there were efforts to democratize the political situation in Czechoslovakia, but this era of liberalization, the so-called Prague Spring, was abruptly ended by an invasion of Warsaw Pact troops. These events were followed by a repressive period called “normalization”, the intention of which was to bring back the social and political situation before 1968 (MARJÁNKO 2012). The following years were an era of purges in the Communist Party and the restoration and tightening of censorship (BARANČICOVÁ 2009).

Popular music came to the forefront of the Communist Party’s methods for finding favour with the younger generation (MARJÁNKO 2012). Song lyrics were subjected to strict censorship and artists were also put under supervision. They had to pass a professional examination, as well as tests in Marxism and Leninism (MARJÁNKO 2012). Many singers and groups were banned from performing. Genres such as jazz, swing, rock, folk and country were not supported by the regime, but were tolerated in later years (MARJÁNKO 2012). This situation led to an increase in the number of small music clubs, which focused on these minority genres; some music festivals also emerged.

Despite all the reorganizations that had been carried out in government agencies, at the end of the eighties, Pelec highlights the inadequacy of the administrative directive management of artistic activity, which led to excessive bureaucratisation. Dissonance between real needs and the bureaucratic structures subsequently led to the formation of a parallel agency structure. Finally, the state agency commonly employed an unofficial network of agents in their activities. Pelec (1990: 23) sees this situation as a result of “the liquidation of historical tradition and the professions of working impresarios, artists’ agents, etc” without taking into account their role in the socialist system. Even though it was an unofficial system of agents and agencies, it worked quite satisfactorily. Musicians got used to it, which later helped in the expansion of private agencies in the nineties.

For the entire music economy in the Czech Republic, the nineties meant a radical turnaround from a centrally planned economy of state monopolies to an expansion of private businesses and the entry of international companies. In 1994, the state agency *Pragokonzert* was privatized (BARANČICOVÁ 2009) and began focusing only on the organization of big concerts by international stars. Great development in festival organizing and production also took place.

In 2008, ASUMA – the *Czech Association of Arts Managements* was founded. The association connects the four biggest music agencies in the field of classical music (ASUMA 2008). The purposes of its existence and its aims are:

the assertion and defence of ethical principles and norms, and of correct business dealings [...], the organization and promotion of joint projects, assertion of common interests in relation to all organs and institutions [...], the joint definition of representative and objective artistic quality, obtaining grants for joint projects (ASUMA 2008).

However, ASUMA does not unite a substantial number of industry participants, does not collect statistical data about its members and the industry, and does not engage in research activities.

With regard to the absence of any statistics about music agencies, it is impossible to determine the specific number of agencies that were founded during the first half of the nineties. The only data resource is the commercial database *Albertina*. There, it is apparent that more than half of the music agencies in the South Moravian region were founded in the nineties. Namely from 1990 to 1995 almost half of all agencies were founded, from 1996 to 2000 there was a decline to 18.2 %, followed by a small boost in the period from 2001 to 2005, when 21.2 % of the agencies were established. The years 2006 to 2010 saw another decline to 12.1 %, and situation is not getting any better, as only 3 % of the agencies were founded from 2011 to the present. There is an assumption that the development in recent years correlates with the general economic climate in the Czech Republic and in Europe as a whole.

2. Research methodology and basic terms

Due to the descriptive nature of the research objectives, quantitative methods of research have been used – analysis of documents and a survey questionnaire. Business entities were included according to the main criterion, which was their active on-going commercial activity in

the fields of the representation of musicians and the production of music events in the South Moravian region.

Music agencies often combine many activities together, so it is unclear to which part of the music economy they belong. Leyshon eliminates this doubt by using a model of the music economy as a system of mutually overlapping networks. He distinguishes networks of creativity, within which “music is made and performed, before it is stabilized within networks of reproduction,” (LEYSHON et al. 2005: 186) then networks of distribution and consumption. According to Leyshon’s model of the music economy, music agencies are located in an area where networks of creativity and reproduction overlap. Macek specifies the position of agencies in the market as “offering services to both organizers and to other agencies.” (MACEK 1997: 21) A music agency can be characterized as a business entity that provides musical performances, either acting as an artist’s agent, or as an event organizer.

2.1 Secondary data collecting

Data was collected from the agencies of the South Moravian region. It is one of the thirteen regions of the Czech Republic and is located in the south-eastern part. The region also borders two other European countries – Austria and Slovakia. The city of Brno is the seat of the regional authority and of many cultural institutions, such as museums, orchestras, opera, theatres, etc.

The commercial database *Albertina*, which collects data from state registers about every registered company in the Czech Republic, was used to find names and contacts of all business entities from the South Moravian region which are involved in at least one activity from the category 90.0 – “*Creative, arts and entertainment activities*” according to the economical classification of business activities CZ-NACE.

Entities focusing on the management of musicians and the producing of musical events were selected, and further data about these subjects was obtained from the *Albertina* database – namely, information about an agency’s legal entity, year founded, and the number of employees.

Research focused on currently active agencies operating in the local market whose activities could be verified and followed online (web pages – provided by business contacts in the database). Thus, the crucial criterion for analysis was on-going commercial activities in the field of

musicians' representation or music events' production in the region. These activities were verified by thorough research of their web pages.

The last phase of research was the survey questionnaire, which was carried out among subjects selected with the criteria described above. The main aim of the survey was to gain descriptive information about the market. The respondents were asked fifteen questions about their agency's length of existence, legal entity, number of employees, music genre specialisation, main and supplementary activities, activities' share of any profits made, outsourcing, sources of financing and subsidies, long-term economic results, internationalisation, cooperation with foreign subjects, and the impact of the financial crisis.

Assumptions about connections and influences between each of the researched facts were also formulated and verified. The questionnaire was available on-line and a link was sent to respondents via email. This method ensured respondents the highest possible anonymity, because the on-line questionnaire did not collect any of the respondent's identification data. The factor of anonymity was very important, since the research was aimed at commercial subjects that are very cautious about giving out any information about their business.

3. Results

According to the *Albertina* database and the following research of the music agencies' on-line presentation, 32 music agencies were selected as currently active and were included in the survey questionnaire. The questionnaire was accepted and answered by 14 subjects.

3.1 Length of existence

One half of the subjects from the field of music agencies have existed for fifteen or more years. The length of existence at the opposite end of the scale (less than two years, or from two to six years) was stated by only one single respondent. The considerable number of agencies which have existed fifteen or more years is probably influenced by the era of their founding, because the nineties' were years of entrepreneurial enthusiasm caused by the transformation of the national economy into a market-oriented one in the Czech Republic. The urge for new distribution

channels and organisations arose particularly in the field of music, which had been subjected to a state monopoly (BARANČICOVÁ 2009).

On the contrary, it is possible to ascribe the short existence of a small number of agencies to the global financial crisis and subsequent economic recession. Nowadays in the Czech Republic, where unemployment is constantly on the rise, politicians urge people to save (MAREK 2012), and the reduction of financial resources also leads to a reduction in state subsidies, so it is not easy to run a business in the field of cultural services. Also, culture is considered by consumers as a kind of supplementary service, so it is the first field where households and municipalities look for an opportunity to make savings.

Even if it seems logical that agencies with a longer length of existence do have much more experience and a more stable market position, there is no evidence connecting the length of a subject's existence and its profits. Also, a long existence is not a necessity when it comes to an agency's expansion into other regions and countries.

3.2 Legal entity

The survey questionnaire has revealed that the self-employment legal entity is more popular than the Limited Liability Company form. Ten of the investigated subjects are run by self-employed people, while the rest are run as Limited Liability Companies. This finding is slightly inconsistent with data from the *Albertina* database research, which revealed a more balanced ratio of self-employed (58 %) to Limited Liability Company (42 %). This disproportion is caused by the fact that the database provides information about all investigated subjects, while the number of survey questionnaire respondents is limited by the number of returned questionnaires.

3.3 Number of employees

A natural person who is doing business using a trade license as self-employed (if the person does not employ anybody else) is their own employer. That situation brings a significant simplification of administration in the field of employment relations and also lowers statutory social security and health insurance contributions. A self-employed person is obliged to pay contributions to health and social

insurance (pension insurance, and contributions to the state employment policy), and of course income tax too. Also, employees and employers are obligated to pay health, sickness and social insurance. On top of that, an employer has to pay employer liability insurance for work injuries or occupational diseases. The activity of running a music agency falls under the category “Other economic activities NACE” where the rate is set on 5.6‰ of the assessment base (VYHLÁŠKA MF Č. 125/1993 Sb., 1993). The amount of health insurance contributions is set at 4.5 % for employees and 9 % for an employer; the amount of social insurance contributions (pension insurance and contribution to the state employment policy) is 6.5 % for employees and 22.7 % for employers (ZÁKON Č. 592/1992 Sb., 1992; ZÁKON Č. 589/1992 Sb., 1992). Sickness insurance is paid by the employer at a rate of 1.2 %. In total, an employee pays the state 11 % of the assessment base and an employer a full 34 % of the assessment base (ZÁKON Č. 592/1992 Sb., 1992; ZÁKON Č. 589/1992 Sb., 1992).

Another expense is connected with an employer’s duty to care for employees, which is established by the Labour Code. This contains the area of work safety, employee care (personal development, catering) and protection of the personal rights of employees, which includes invasion of their privacy or discriminatory behaviour. It is in the employer’s own interests to take care of employees, especially when providing services. The success of its business depends especially on the skills and commitment of the staff. Of course, music agencies fall under this type of business.

As mentioned above, most of the agencies in the South Moravian region are run by self-employed individuals. The reason for the small number of agencies which employ someone could be that the self-employed owners of the agencies are capable of doing all the work on their own. The other reason is a kind of irregularity in an agency’s workload, which is typical for this type of business. Most of the agencies do not have the same volume of work during the whole year, because most of their work is connected with demand for artists and the frequency of organised events. For agencies, a budget-wise solution to cover a temporary increase of workload is by short-term part-time staff, especially because current Czech law orders employers to pay a high levy for employees.

It is evident that there is an expected correlation between the legal entity and the number of its employees. A full eight of ten subjects that are run as self-employed do not employ anybody else. On the other hand, every agency run as a Limited Liability Company has employees.

The self-employed ones also work on their own, even if their agency has existed for fifteen or more years. This indicates that it is possible to run a music agency successfully with no need to change its legal entity or to hire any employees.

Data from the agencies' websites also show a trend of one self-employed agency cooperating with another in managing bigger projects. According to the results of the survey questionnaire, there is no connection between the number of employees and the business activities provided by an agency. The assumption that the production of festivals and concerts requires more staff to ensure effective organization was not proven. The number of employees also does not have any influence on the number of activities which are outsourced by agencies. Despite the fact that Limited Liability Companies have a higher number of employees, they use outsourcing at the same level as the self-employed ones.

3.4 Music genre specialisation

Almost, every responding agency had a specific combination of music genres on which it focused. Only two agencies specialized in only one genre, that being classical music. The most popular genres among agencies are jazz, rock and folk music, which are provided by half of them (seven agencies); popular music is covered by six agencies. These three genres are usually accompanied by popular music, Czech traditional music, or some genre which has been specified by the respondents in another category (world music, cross-over, or dance music).

According to the research results, classical music seems to be the music genre which requires a higher level of specialization, since half of the agencies which have classical music in their portfolio specialize only in this genre. This higher level of specialization is probably caused by specific distribution channels which are appropriate for classical music.

Also, there is a certain connection between chosen genres and the main business activity provided by an agency. Of five agencies which have representation as their sole main business activity, four are specialized in a maximum of two genres. On the contrary, four agencies whose main business activity comprised the production of social events have four and more genres in their portfolio, which is probably due to their effort to attract the widest possible range of clients.

3.5 Main and supplementary activity

The respondents chose from five categories: representation of artists, production of concerts for represented artists, concerts, festivals and social events and also the category “other”. The most frequent main business activity of music agencies in the South Moravian region is representing artists (nine of fourteen subjects), followed by the significantly less-favoured production of concerts (six subjects) and social event production (four subjects). More than half of the subjects (eight) have at least two or more main business activities, while a minority (six) have only one main business activity which for most of them (five) is artist representation. All questioned subjects with the Limited Liability Company legal entity have the production of concerts, festivals or social events as one of their main activities. By contrast, a full half of the agencies run by self-employed people have only representing artists as their main activity.

When classifying music agencies according to their main business activities, five of fourteen have only representation as their main activity and the same proportion have only production; four subjects consider both types their main activity. Considering supplementary business activities, it is necessary to say that there is no strictly representative agency, because every representative agency mentioned production as their supplementary activity. A higher number of business activities has no influence on an agency’s profit, this despite the fact that an agency with a wider activity portfolio should be able to attract more potential clients than a specialized one.

3.6 Activities’ share of profit

As mentioned above, every agency provides some level of production services, while three of them do only production. The popularity of production as a supplementary business activity for representative agencies is evident in its frequency in the “less than a half” and “negligible” share of profit categories. It is clear that, despite the fact that all agencies have more business activities; the major part of their work is based in representation or production.

3.7 Outsourcing

The possibility of outsourcing is used by all respondents. The most frequently outsourced activity is the technical arrangement of produced events (twelve subjects) because this field requires specific technical know-how, and a large investment in equipment as well. Outsourcing of accounting is also very common (nine subjects) among the self-employed, despite the fact that Czech accounting laws require them to keep only simple tax records. Other commonly outsourced services are graphic design, web design and web administration. A higher number of employees does not result in less outsourced activities. Every agency with employees outsources at least three activities, which indicate that employees are hired to carry out the agency's core activity and not for the purpose of providing other services (cleaning, accounting etc.).

3.8 Sources of finance

“Every business activity has two sides – a material and a financial one” (SYNEK AND CO. 2007, 320), which leads to the conclusion that every enterprise's activities have to be ensured by financial sources. There are plenty of types of financial sources and, for better orientation, they are usually categorized according to their place of origin. (VEBER, SRPOVÁ AND CO. 2008) Using ownership as a criterion, there are two commonly used categories: internal and external. Synek also distinguishes a third category: self-financing.

We term financial sources which are owned by the enterprise itself (SOUČEK 2005) as internal sources. They are mainly represented by owners' shares, “gifts and subsidies, investments from professional investors” (REŽŇÁKOVÁ 2012: 24) and share issues in the case of a Joint-Stock Company. External sources are financial means which are owned by some other subject and are loaned to an enterprise (SOUČEK 2005). Namely, these are loans provided by banks and other financial institutions, plus bonds and deposits from customers (SOUČEK 2005).

The last category of self-financing is represented by financial sources which are made by an enterprise's own business activities. Namely, these are profit, depreciations, reserves and potential income from selling off long-term property or supplies (SYNEK AND CO. 2007).

According to the research, the majority of agencies were founded using a significant amount of their own sources (six subjects entirely,

four subjects mainly). Other common sources of funding are donations and sponsorship, which often represent less than a half of their financial sources. Subsidies from public funds are used by eight of the respondents, but their share of the agencies' financial sources is minimal. On the other hand, only one agency uses loans provided by financial institutions; this is consistent with the long-term trend in the Czech Republic, where banks are not very keen on providing loans to small entrepreneurs (KUBÁTOVÁ 2008).

3.9 Sources of subsidies

Music agencies could apply for subsidies which are meant to support culture, and for subsidies which are given to support entrepreneurship. Subsidies for cultural projects are provided by regional municipalities, by each regional authority, and by the Ministry of Culture. Every municipality has its own rules and criteria for choosing which projects or organizations will receive financial support. In general, they always put emphasis on the regional impact of the project. Namely, it should enrich and improve the quality of cultural life of its citizens, or represent a city or region elsewhere (MAGISTRÁT MĚSTA BRNA 2013).

The South Moravian regional authority grants subsidies in the program "Support for Development in the Fields of Culture and Preservation of Historic Monuments". Supported projects need to meet the basic requirement, which is that they must have a positive impact on the South Moravian Region. An applicant could be a private person, a self-employed person, a municipality, a citizens' association, a church or any legal entity (KRAJSKÝ ÚŘAD JIHOMORAVSKÉHO KRAJE 2013).

The Ministry of Culture annually grants subsidies in their program, which is divided into thirteen areas – Churches and Religious Societies, Literature and Libraries, Media and Audio Vision – Cinematography and Media, Media and Audio Vision – Minority Support, Museum, Galleries and Monuments Preservation, Foreign Relations, Cultural Heritage, Professional Arts, Regional and National Culture, European Union Department, The State Fund of the Czech Republic for Support and Development of Czech Cinematography, The State Fund of Culture of the Czech Republic and Research and Development (MINISTERSTVO KULTURY 2007). None of these areas is specifically for music, so it is essential to choose the one whose requirements are the most suited for the purpose of the project.

The subsidy program, which is operated by The Department of Foreign Relations, is focused on support for Czech projects which are run in foreign countries. The subsidy program in The Professional Arts area is aimed at support for professional theatres, orchestras and choirs. It is possible to apply for a subsidy in the name of an agency's client. The area of Regional and National Culture is comprised of subsidy programs which are aimed at supporting the preserving of traditions, non-professional cultural activities and the involvement of ethnic minorities in cultural life. To apply successfully for a subsidy in those programs, it is best for music agencies which are also interested in the fields of non-professional arts, the non-profit sphere, or ethnic music. Unlike the subsidy program operated by the Department of Foreign Relations, the subsidy provided by the European Union Department is focused on projects which are supported by the European Culture program. Private persons and legal entities can also apply for financial support from the State Fund of Culture of the Czech Republic which recognises nine types of projects from every cultural sphere (MINISTERSTVO KULTURY 2007).

The main source of subsidies for culture on the European level is the long-term program *Culture*, which has been established by the European Parliament and the European Council. This program replaced the *Culture 2000* program and has been running since 2007.

The main objective is to enhance the cultural area shared by Europeans, which is based on a common cultural heritage, through the development of cooperative activities among cultural operators from eligible countries, with a view to encouraging the emergence of European citizenship. (ČESKÁ KANCELÁŘ PROGRAMU KULTURA 2013)

The main objective is further specified via specific aims: promotion of the trans-national mobility of people working in the cultural sector, support for the trans-national circulation of cultural and artistic works and products, and the promotion of inter-cultural dialogue. The program is open to entrepreneurs, non-profit organizations and to organizations which are established by states and municipalities (ČESKÁ KANCELÁŘ PROGRAMU KULTURA 2013). The crucial requirement is that the supported project should be non-profit making. Other European sources of subsidies are mostly one-time grants which are declared by The Education, Audio-Visual and Culture Executive Agency of The European Commission (EUROPEAN COMMISSION 2012).

As business entities, music agencies are also able to apply for a subsidy for business support. In the Czech Republic, there are programs aimed on support of small and medium-sized enterprises which are organised

by the Ministry of Industry and Trade, or the European Structural Funds operational programs, which are mainly coordinated by the Ministry of Regional Development (MINISTERSTVO PRO MÍSTNÍ ROZVOJ ČR 2013). Business support for small and medium-sized enterprises is also provided in the form of professional consultation for entrepreneurs and expert support in the realization of business plans.

Respondents were asked about the sources of subsidies which they had gained. Subsidies from the public sources were used by eight of the subjects. The public institution which most often provides subsidies to them is the Brno City Municipality (providing subsidies for six agencies), subsidies from The Ministry of Culture and the South Moravian regional authority are given less often. An agency gaining subsidies from more than one institution is very common – seven of eight subjects receiving subsidies do this.

There is no evident connection between the musical genre on which a music agency focuses and their ability to gain a subsidy. Among subsidized agencies, there are ones specializing in alternative or minority genres (jazz, classical music) and those specializing in popular music, rock and folk. There is also no difference in the ability to gain a subsidy between agencies which generate profit and those which just cover their expenses. Profit is not an obstacle in the majority of subsidy programs (if they a priori do not exclude business entities) because subsidies are commonly granted to individual projects. Agencies are allowed to request a subsidy for their non-profit project while their business activity as a whole makes a profit.

3.10 Long-term economic results

A profit is generally accepted as the main goal of a business, which is also evident in the definition of entrepreneurship in the Czech Commercial Code, which defines it as “systematic activity pursued independently by an entrepreneur in their own name and on their own responsibility, in order to make a profit.” (§ 2 ZÁKON Č. 513/1991 Sb.) However, it is important to keep in mind that “profit is an aim and impulse of all business, but it is not the only one.” (SYNEK AND CO. 2007: 130) Besides ensuring the financial stability of an enterprise and the increase of personal financial sources, entrepreneurs also pursue non-financial goals which are represented by self-fulfilment, development of goodwill, satisfied and loyal customers and employees etc. Synek mentions that these goals

“for small producers often outweigh the profit factor.” (SYNEK AND CO. 2007: 130) When assessing an enterprise’s prosperity, it is necessary to take into consideration more factors than just an economic result.

Another reason why economic results should be considered carefully is the fact they are a tax base for the calculation of income tax. Enterprises often use a tax optimization² to reduce the sum of their economic result. The level of the economic result itself does not always reflect the enterprise’s real situation (PELC 2011).

Long-term profit is the financial result of business activity for more than half of the subjects (eight subjects). No connection between the length of existence and ability to make a profit has been proven. Among profit-making agencies, half of them have existed for fifteen or more years, one agency has existed between ten and fifteen years, two agencies have existed from six to nine years, and one agency has existed from two to six years. Among the agencies that just cover their expenses, more than half have existed for fifteen and more years.

There is also no connection between agencies’ focus on mainstream genres and profit. The business activity with the biggest share of the agencies’ profit is the representation of artists, which represents the source of the total profit for two agencies and most of the profit for another two agencies. The organising of concerts for agencies’ clients/artists is in a minority, in that it represents the source of profit for another two. Finally, one subject gains its total profit from organising social events, and one gains all its profit from organising festivals.

The majority of profitable subjects are funded by their owners’ own financial sources. As mentioned above, the profitability of an agency is not an obstacle in the drawing of subsidies. Subsidies are drawn by half of the profitable subjects, but for some of them, it represents less than half of the income and for fewer agencies it represents a minimal part of their income. Regionally, every profitable agency which is subsidized draws support from the Brno City Municipality. Further sources are represented by the local municipality and the South Moravian regional authority. A minority of support is sourced from the European Union and the Ministry of Culture.

A connection is evident between the profitability of a subject and the extent of the region in which it operates. Five of the eight profitable subjects also do business abroad, but in this case from the results, it is not

2 Pelc (2011: 197) defines tax optimization as „a systematic and legal reduction of tax burden.“

possible to determine the causality of this effect, whether the profitability is caused by business abroad or if the profitability is a condition which enables the subject to expand.

In the category of subjects which do not make a profit (six subjects), one subject makes a loss which is covered by another business activity. Agencies which do not make a profit, but just cover their expenses, are not necessarily unsuccessful because in the case of Limited Liability Companies, payroll costs are included in the economic result. It is also evident from the websites of some self-employed subjects that they have other regular employment besides their agency activities.

3.11 Internationalization

According to the survey, South Moravian music agencies are open to the internationalisation of their business. Almost half of them (six agencies) also run their business abroad. Nevertheless, the second most common location is Brno where five of them operate and next, three agencies operate throughout the Czech Republic. There is no evident connection between the chosen legal entity and an agency's ability to do business in a foreign country. One agency with the Limited Liability Company entity and four of the self-employed entities do business abroad. This indicates that the legal entity does not represent an obstacle to an agency's international expansion. Having a higher number of employees does not have any considerable influence on an agency's ability to expand into foreign countries.

3.12 Cooperation with foreign subjects

The transformation of the Czech Republic to a democratic country led to its opening up to "Western" capitalist countries. There was a hunger for everything from "the West". This trend was also reflected in music, where it was suddenly possible to organize live concerts by artists that people knew only from secretly distributed copies of copies of foreign records. Given the small size of the Czech music industry, this trend of the high popularity of foreign artists persists to the present day (FIALA/KALÁB 2008).

3.13 Impacts of the financial crisis

The global financial crisis, which was fully manifested in Europe in 2009, did not dramatically affect the Czech Republic, but it did plunge it, along with other European countries, into protracted recession, which the Czech economy still faces today. According to the macroeconomic forecasts of international institutions, and the Czech Ministry of Finance and the Czech National Bank, the Czech economy reached the lowest point in 2012 and in the following years will gradually recover (NĚMEC 2013). From 2014, it will again assume its slow growth (NĚMEC 2013).

The poor economic situation is reflected in people's living standards. In recent years, efforts to accumulate savings and concerns about employment have been particularly noticeable. This situation is understandable due to the fact that, by the end of 2012, the unemployment rate in the Czech Republic reached the record number of 7.4 % (DUBSKÁ/KAMENICKÝ 2012).

The most often stated impact of the financial crisis and recession on agencies is the decrease in the number of people attending festivals and concerts; nine subjects have experienced this type decrease, only one other subject announced another type of impact of the recession. Another impact experienced is the reduction or entire cancellation of sponsorship, which was mentioned by six subjects. On the contrary, four of the agencies have not experienced any negative impact on their business. One respondent also expressed a worry about the rising level of value added tax in the Czech Republic, which caused a reduction in his business activity.

Even though ten of all respondents had experienced some of the previously mentioned negative crisis impacts, only seven of these had reacted to this situation. The most frequent reaction was the reduction of ticket prices for organised events and a reduction of royalties for represented artists. On the other hand, no subject increased its prices in an endeavour to compensate for a decrease in attendance. In the "other" category, an increase in work intensity and higher financial flexibility were mentioned.

4. Conclusions

The research focuses on the Czech music agency market. The article describes the historical evolution of music agencies in the Czech Repub-

lic, as well as their development after 1989. For a systematic description of the structure of the market, we used 15 criteria and we focused on the South Moravian region of the Czech Republic. There are very limited literature sources available describing the music agency market in the international field. Therefore, we described the local situation and will aim for international comparison in future works.

Our research has described 33 active music agencies in the South Moravian region. These are mostly small local or national agencies operating mainly in the Czech Republic. There are only a few branches of international and worldwide known agencies. We showed that after 1989, there was a big passion for cultural activities in the Czech Republic. This 'golden era' led into the current stagnation, which was influenced by the financial crisis. Strong agencies are currently:

- 1) merging and forming alliances (Asociace uměleckých agentur ČR – Association of art agencies of Czech republic),
- 2) importing renowned international artists – focus on trans-border culture (locally South Bohemia/Oberösterreich; worldwide *Nachtigall Artists* and e.g. the project *Metropolitan Opera Live in HD* in the Czech Republic).

The majority of agencies have more than one main business activity, which is often artist representation. All agencies have the organisation of music or social events as their main or supplementary activity. Music agencies also widely use outsourcing, especially to arrange the technical aspects of events or for accounting. Forms of association are mainly:

1) *Self-employment form of business: Agent.* There are a huge number of agents who are working on a self-employment basis. They are predominantly engaged in representation. It is hard to trace the activity of such subjects. They are interested in classical music, but also pop-culture, local folk bands, entertainment activities, weddings, funerals and leisure time activities. The situation is unclear due to intended low-threshold regulation of this market. No particular education or certificate is required; basic registration entitles the agent to do their work.

2) *A Limited Liability Company.* Subjects are involved in the organization of larger music events. The services could be more expensive, but allow reliable and high standards of services. This form, on the other hand, can be misused. It was reported that due to law suits after large and noisy events (pop and rock music industry), the agency is founded as a 'white

horse' and intentionally bankrupted after a number of state fees and penalties are imposed. The artist is interested in personal reference and pays less attention to the agency itself.

The criteria mentioned in our research allowed statistical description, still deeper qualitative description and client feedback would be appropriate. Ensuring quality of the services delivered by the agencies remains as one of the priorities for the future. From our results, it is obvious that:

- Quality of service is not directly linked to the number of agency clients (artists).
- Declining attendance at music events is causing a reduction in service prices, as the reduction of the already very low prices (compared to Germany and all neighboring countries, except similar prices in Slovakia) for audience tickets is a limited possibility.
- Private support has dropped and its reduced representation activities have shifted to sport and politics.
- Non-profit organizations are facing drops in government and municipal subsidies.

Certainly, it would be beneficial to continue with research in the other thirteen regions of the Czech Republic, which would allow us to make a comparison and analysis of different regional conditions and their impact on the functioning of music agencies. International comparison is essential; the authors are looking forward to possible collaboration on the topic.

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